FORESTRY INNOVATION INVESTMENT OCTOBER 2014

REPORT TO STAKEHOLDERS

2014

Forestry Innovation Investment

Front and inside cover images: Wood Innovation and Design Centre, Prince George, B.C.
The tallest contemporary wood building in North America.

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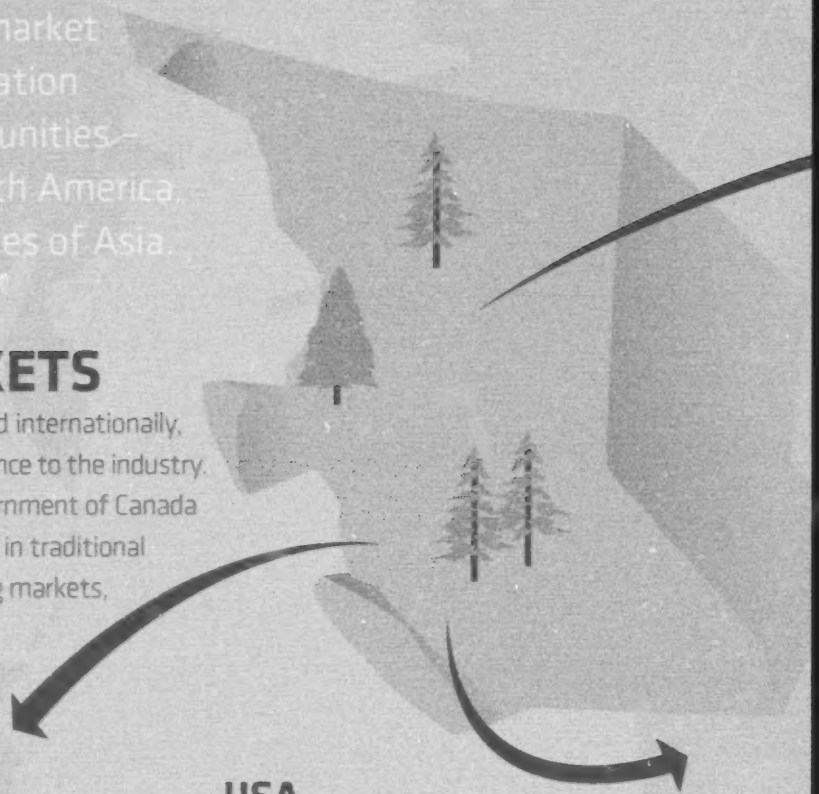
BUILDING A STRONGER

Built on strong partnerships and global markets, B.C.'s forest sector leads the world in sustainable forest management, efficient manufacturing and global exports. Investments in market development and product innovation continue to open up new opportunities – here at home in B.C., across North America and in the fast growing economies of Asia.



DIVERSIFYING MARKETS

More than 90% of B.C.'s forest products are sold internationally, making global markets of fundamental importance to the industry. Since 2003, FII has been working with the Government of Canada and the forest industry to foster export growth in traditional markets, and to create new demand in emerging markets, particularly in Asia.*

ASIA

43% of all B.C. forest product exports

Wood Products **$2.492 billion**

Pulp & Paper Products **$2.146 billion**

Total **$4.638 billion**

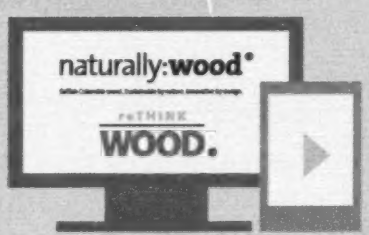
USA

45% of all B.C. forest product exports

Wood Products **$3.782 billion**

Pulp & Paper Products **$1.138 billion**

Total **$4.920 billion**



PROMOTING THE BENEFITS OF WOOD

103,162 video views

126,296 website visits

20,252 continuing education unit tests taken

*Source: British Columbia Forest Products Trend Analysis in Export Markets 2013 - Volume 1: Global Market Overview and BC Exports, and Volume 2: Export Market Summaries. Prepared for FII by FPInnovations.

FOREST ECONOMY

EUROPE

5% of all B.C. forest product exports

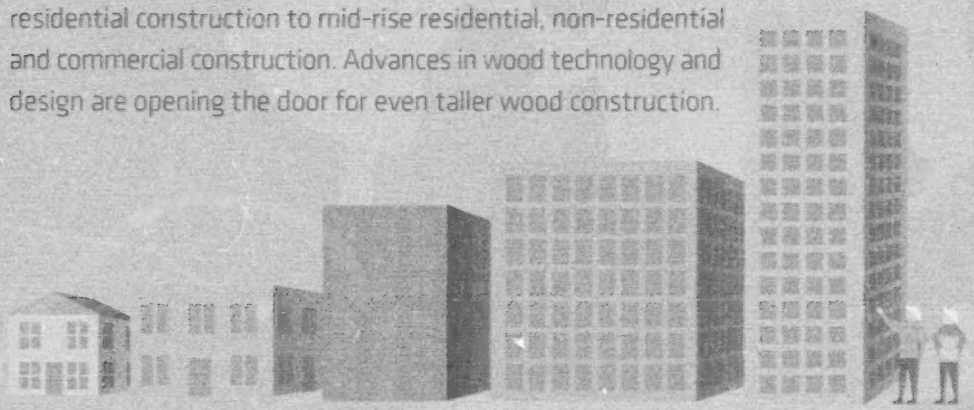
Wood Products **$331 million**

Pulp & Paper Products **$168 million**

Total **$499 million**

FOSTERING INNOVATION

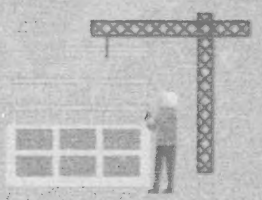
B.C. leads North America in the development of innovative wood products and building systems that are expanding wood use from single-family and low-rise residential construction to mid-rise residential, non-residential and commercial construction. Advances in wood technology and design are opening the door for even taller wood construction.



SINGLE FAMILY | LOW-RISE | MID-RISE | WOOD INNOVATION & DESIGN CENTER | HIGH RISE

200 mid-rise wood frame buildings in B.C. are either completed or in various stages of planning and development.

The **Wood Innovation & Design Center** in Prince George is North America's tallest (29.25 metres) contemporary wood building.



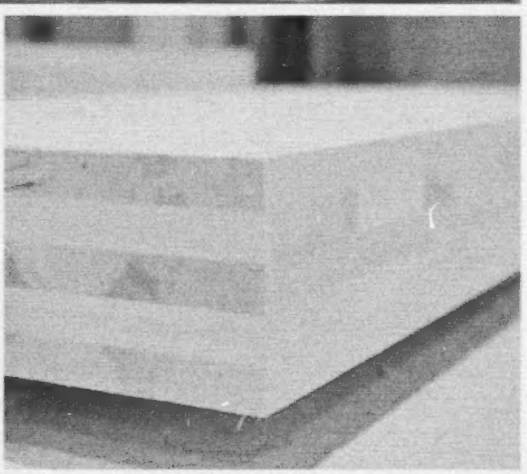
3,000+ architects, engineers and building professionals have been trained in new wood construction techniques through the Wood First Program.

CONTRIBUTING TO BC'S JOBS & ECONOMY

Forestry helps drive the economy. British Columbia forest products account for:

$11.7 BILLION IN 2013

6,600 BUSINESSES | **58,000** EMPLOYED | **$2.8 BILLION** IN WAGES AND SALARIES | **35%** OF B.C.'S EXPORTS



Working Together

This Report to Stakeholders illustrates the work that numerous organizations are undertaking to ensure that the British Columbia forest industry continues to flourish in markets around the world. By pooling their resources, talent and market insights, the organizations mentioned in this report ensure that market development is faster and more successful, and yields a better return on each group's investment.

Forestry Innovation Investment (FII) is proud to work with the following organizations in developing and diversifying markets for B.C. forest products.

Forest Industry Associations and Organizations

FII works with a number of groups in developing and delivering market development programs across North America and overseas, particularly in Asia. Many programs are funded jointly by FII and other organizations, with Natural Resources Canada providing significant funding for overseas programs.

- APA – The Engineered Wood Association
- B.C. Shake & Shingle Association
- BC Wood Specialties Group
- Canada Wood Group
- Canadian Wood Council
- Canadian Wood Council – Wood WORKS! BC
- Coast Forest Products Association
- Council of Forest Industries
- Forest Products Association of Canada
- Western Red Cedar Lumber Association
- Wood Pellet Association of Canada
- Wood Products Council

Industry Funding Agencies

In addition to forest companies and their trade associations in British Columbia, FII collaborates and co-funds activities with the following agencies.

- The Binational Softwood Lumber Council
- The Softwood Lumber Board

Post-Secondary and Research Institutions

FII works with the following organizations on technical and research programs and/or to assist B.C. value-added firms improve product design and manufacturing efficiency.

- Athena Sustainable Materials Institute
- Consortium for Research on Renewable Industrial Materials
- Dovetail Partners
- FPInnovations
- NEWBuildS (university research consortium)
- University of British Columbia
- University of Northern British Columbia

Government Organizations

Government of British Columbia

- Ministry of International Trade
- Ministry of Forests, Lands and Natural Resource Operations
- Ministry of Jobs, Tourism and Skills Training

Government of Canada

- Natural Resources Canada
- Foreign Affairs, Trade and Development Canada

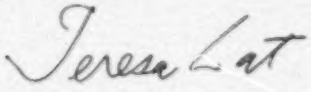
Message from the Minister of International Trade

The past year has been very good for British Columbia's trade driven economy, with exports reaching their highest levels in seven years. Roughly 85 per cent of this growth can be attributed to forest products. This, combined with the reality that more than 90 per cent of the output of the forest industry is sold outside B.C., stresses just how important international trade in forest products is to B.C. as a whole, as well as to the hundreds of communities, thousands of businesses, and tens of thousands of workers who rely on forestry for their livelihoods.

Recognizing this importance, the B.C. government continues to strongly support programs to develop and diversify markets for the province's wood, pulp, and paper products. Through FII, funding and support are provided to trade associations that deliver marketing programs in many locations around the world. With co-funding from industry, the federal government, and others, the resulting marketing activity is a good deal for B.C. taxpayers. And with the added value of B.C.'s network of trade and investment offices, and the Asia-Pacific Business Centre, the government's support for the sector is second to none.

The results of these activities speak for themselves. As shown in this Report to Stakeholders, the demand for B.C.'s forest products is diversified and growing. Exports to China have quadrupled to more than $1.4 billion in less than five years. Sales to the United States are at a five-year high. Here at home, our Wood First efforts are positioning B.C. not only as a leading global supplier of wood products, but as a leader in wood design engineering and expertise.

With the continued support of the Government of Canada and collaboration with our forest industry, I believe that we can maintain this momentum in the years ahead, further diversify into new regions like India, and continue to strengthen the global competitiveness of our forest economy.



Teresa Wat
Minister of International Trade,
and Minister Responsible for The Asia Pacific Strategy and Multiculturalism

Message from the CEO

Earlier this year, FII welcomed the B.C. Government's "core review" of the organization's mandate and effectiveness. After 11 years of operation we were pleased when the Government reaffirmed FII's scope and mandate to work with the private sector and other government agencies to enhance the marketing of B.C. forest products around the world.

FII continues to focus on wood products, with a particular interest in creating new long-term demand in Asia, as well as on expanding the use of wood in the vast non-residential construction sector in North America. We continue to ensure that customers for the province's forest products have access to factual information about our forest management, the environmental benefits of using forest products, and the range of wood products and construction technologies available from B.C. Our Wood First program is making strides in establishing B.C. as a world-class centre of excellence in manufacturing and using innovative wood products.

In discharging our mandate, we continue with two basic functions:

1. FII is a major funding agency, using about half of its budget to share the cost of activities that other organizations design, propose for funding, and ultimately deliver. This collaborative approach to market development continued to yield good value for the Province in 2013/14, with each dollar contributed by FII being pooled with $2.35 in funding from other organizations.

2. Our staff directly initiate pioneering work to stimulate new products, and new market demand in regions offering the greatest potential for growth. This work is led by our employees in Vancouver and those of our subsidiary companies in China and India.

This Report to Stakeholders explains the priorities and strategies currently driving FII and its funding recipients, highlights accomplishments in 2013/14, and describes activities underway in 2014/15.

My colleagues and I welcome comments on this report, or on any aspect of FII's programs.

K. Baker

Ken Baker

CEO

An Overview of FII

British Columbia's forest economy, whether measured by volume, economic value, or innovation, is a world leader. Maintaining this leadership, and supporting the 58,000 British Columbians who work in the sector, is a priority of the Province of British Columbia.

Towards these ends, the Provincial Government charges FII with being its market development agency for forest products. Working with the forest industry, the federal government, research institutions, and other stakeholders, FII develops and delivers strategic, innovative programs to ensure retention of existing markets, and to identify and develop new opportunities.

Through these efforts, FII helps to strengthen the forest economy and create and sustain jobs in B.C.

Mandate

FII's mandate, as specified in its Government's Letter of Expectations, is to work with the forest industry to develop and diversify markets for B.C. forest products while promoting B.C. as a world-class supplier of environmentally friendly forest products. FII works collaboratively with industry trade associations, other levels of government including the Government of Canada and other provinces, and with research institutions to enhance the value of B.C.'s forest resources and strengthen employment throughout the province.

B.C. and Chinese District sign MOU to promote B.C. wood products

On May 23, 2014, FII signed a five-year agreement with Shanghai's Pudong District to promote wood-frame construction and B.C. wood products. Features of the MOU include:

- Enhancing technical research into new wood-frame construction systems with an emphasis on reducing energy consumption and carbon emissions
- Applying the new wood-frame construction systems to demonstration buildings
- Promoting wood-frame construction technology to local developers and builders
- Enhancing cooperation by sharing technical expertise

"China is British Columbia's second-largest trading partner and is a priority market for B.C.'s international trade efforts, as outlined in the B.C. Jobs Plan. This agreement shows the effectiveness of our efforts to build trade with China and to further strengthen business ties between B.C. businesses and their counterparts in China."

Minister of International Trade,
Teresa Wat

The Honorable Teresa Wat, Minister of International Trade (centre), witnesses the signing of a Memorandum of Understanding between FII and the Pudong Construction and Transportation Commission. Signing the agreement were Mr. Ken Baker, CEO of FII (seated at right) and Mr. Tao Jiangshe, Deputy Director General of the Construction and Transportation Commission. Also witnessing the singing were Vice Governor Wei Ming of the People's Government of Pudong New Area (standing third from left) and Mr. Tim Sheldan, Deputy Minister of Forests, Lands and Natural Resource Operations (fourth from right).

Program Delivery and Organizational Structure

FII programs are delivered by Operations staff with support from others in Corporate Services. Their respective responsibilities are summarized in the following table.

OPERATIONS	
MARKET INITIATIVES	• Research opportunities in new and emerging markets, and initiate early market exploration activities • Support industry trade associations in developing and/or expanding markets and market segments for B.C. forest products • Support industry efforts to mitigate market access and plant health issues • On behalf of the forest sector, manage outreach and relationship building with Chinese authorities and central government agencies • Undertake early-stage market development in India
WOOD FIRST	• Champion the Province's Wood First priorities and encourage expanded wood use in B.C. • Encourage the development of a pro-wood culture in B.C. and position B.C. as a leader in wood innovation • Encourage product innovation and the introduction of new wood building systems • Encourage a robust valued-added sector in B.C., through enhanced capacity and competitiveness
MARKET OUTREACH	• Promote the benefits of wood as a green building material • Develop factual and science based materials to position wood's environmental benefits and climate change mitigation potential • Promote B.C. as a world leading supplier of forest products • Ensure markets are aware of B.C.'s sustainable forest practices and high environmental standards
CORPORATE SERVICES	
FINANCE & ADMINISTRATION	• Ensure financial reporting meets government standards • Provide Human Resources, IT and office services to meet organizational needs • Oversee budget and planning controls
CORPORATE RELATIONS	• Provide corporate communication and analytical services to meet internal and external needs • Support government and industry trade initiatives • Compile and share export data and analysis of market trends

2013/14 Expenditures and 2014/15 Budget

FII operates on the basis of an annual funding allocation from the Ministry of International Trade. The actual expenditures incurred for fiscal 2013/14 as compared to the current year 2014/15 projected budget are provided below:

Statement of funding and expenditures by program
Comparison to budget and prior year
(in thousands of dollars)

	2013/14 Actual	2014/15 Budget
Funding:		
Receipts - Province of B.C.	$ 17,306	$ 17,000
Receipts - Government - Other	731	600
Other revenue	678	200
Total Funding	$ 18,715	$ 17,800
Program expenses:		
Funding recipient initiatives	$ 9,140	$ 9,030
Market initiatives and outreach		
FII Vancouver	3,761	3,070
FII China	2,708	2,800
FII India	1,532	1,700
Corporate Services	1,181	1,200
Total expenses	$ 18,322	$ 17,800
Annual surplus	$ 393	$ -

In 2013/14, FII received funding of $17.3 million from the Government of B.C. consisting of $17.13 million in operating revenue and $0.18 million in capital funding. FII received an additional $0.73 million from Natural Resources Canada of which $0.6 million was to support establishment of FII's subsidiary in India. In 2013/14 the private sector provided FII with $0.68 million to share the cost of delivering collaborative activities.

During the year, FII spent a total of $17.1 million to deliver market outreach and market development initiatives in Asia, the U.S., Canada and Europe. This amount included $7.8 million committed to partly or fully pay for product and market development activities proposed and ultimately delivered by trade associations and other not-for-profit organizations. Included in the funding to trade associations and institutions was $2.2 million directed at supporting the Province's Wood First priorities, such as development of cross-laminated timber technology and new building systems, and increased manufacturing capacity.

These combined expenditures leveraged over $14.8 million in contributions from industry and the federal government. For the activities that FII funded with trade associations and others in 2013/14, the cost-sharing was as follows:

- FII share: 34.5 per cent;
- Natural Resources Canada and other government agencies share: 37.6 per cent; and,
- Forest industry share: 27.9 per cent.

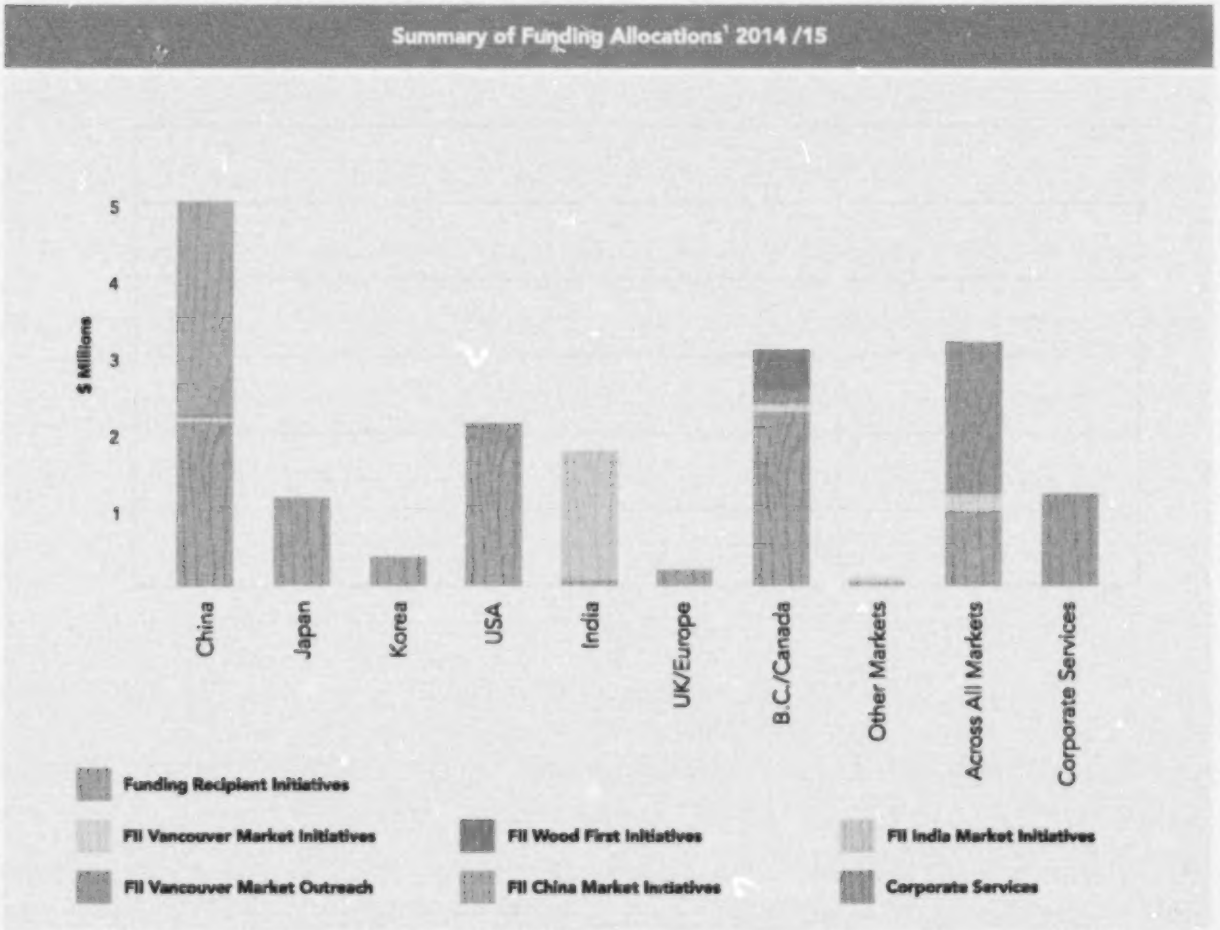
FII's total revenues and expenditures are expected to be $17.8 million in 2014/15, down $0.9 million from last year.

Market Priorities

FII will continue to rely heavily on trade associations to develop and deliver market development programs based on country-specific strategies and quantified sales objectives for each product line and identified end-use. On an ongoing basis, staff in Vancouver will initiate research into new market possibilities (e.g., for exports into the southeast Asian region), while supporting the industry with a wide range of communications materials in established markets.

FII China staff will focus on building deeper and broader relationships with Chinese government officials at all levels, as well as with state-owned real estate development companies. Staff and contractors will provide "front-end" support for wood frame design and engineering, while B.C. trade associations will continue to provide "downstream" support with technical training, assistance in changing building codes and fire codes, and on-site construction quality support. FII India will reach out to Indian wood users, gathering detailed knowledge of the best commercial prospects, potential customers, and distribution channels. They will also assist B.C. industry representatives to establish a presense in the market.

A summary of projected funding allocations by region for 2014/15 is presented below:



[1] **Funding Recipient Initiatives:** funding provided to industry associations and other groups to carry out market development activities they propose. Funding Recipient Initiatives also includes $2.4 million under B.C./Canada directed to Wood First Initiatives. Amounts include associated program administration.

FII Vancouver Market Initiatives: funding for product and market development activities managed directly by FII.

FII Wood First Initiatives: funding for FII's internally initiated projects related to Wood First, such as commissioning technical studies of cross-laminated timber.

FII China Market Initiatives: activities directly managed by FII Consulting (Shanghai) Co. Ltd.

FII India Market Initiatives: funding activities to operate a subsidiary company in Mumbai, India and conduct market research managed by FII.

Corporate Services: FII's accounting, financial reporting and general office functions that support all program delivery and government regulatory requirements.

Regional Overview

2013 was a year of continuing recovery in most major economies, with global GDP growing more than 3.4 per cent, a marked increase over global economic growth of 2.1 per cent in 2012. This increased economic activity translated into greater demand for wood products, particularly in the United States, where the housing market continued to gain strength. Total U.S. consumption of softwood lumber products increased to 120 million m^3 from 111 million m^3 in 2012.

The U.S. market is expected to remain strong in 2014, with the preferences of Generation Y growing in relevance. Gen Y'ers, or the Millennium generation, range in age from 20 to 37. This makes them the prime market for new housing. Their preferences for living closer to city centres and deferring home purchases in favour of renting, for example, are two factors driving the multi-family housing market. These trends are expected to continue.

In China, demand for housing remained strong in 2013 in the four tier-one cities (Beijing, Shanghai, Guangzhou, and Shenzhen). These cities are known for being important political, cultural, industrial and financial centres in China as well as key hubs for the greater east Asia region. All are densely populated, culturally and economically influential, and have middle classes and income levels well above the national average. Housing demand remained strong due to residents buying larger and more expensive homes, in-migration from other parts of China, and the preference of Chinese investors to choose real estate over the stock market. This latter point is expected to continue to drive demand for new housing.

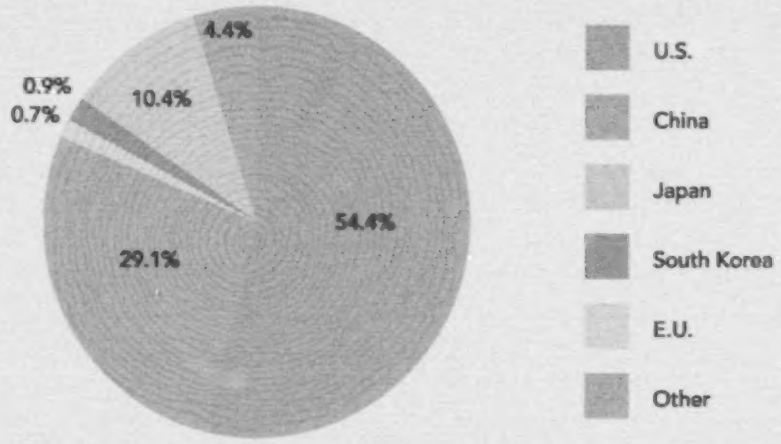
While demand for housing was robust in tier-one cities, the same could not be said for smaller tier-two and tier-three cities. Developers in these less affluent cities had to rely on aggressive marketing tactics to attract potential buyers. Overall wood products consumption, however, increased to 232 million m^3 from 188 million m^3 in 2012.

Japanese wood products consumption was 26.1 million m^3 in 2013, up from 24 million m^3 in 2012, with housing starts reaching their highest levels since 2006. The dampening impact of an increase in the consumption tax in 2014 seems to be at least partially off-set by a major stimulus package, including $44 billion USD that is expected to go to the construction industry, and a tax break for homeowners with mortgages.

Korean wood products consumption was 10.4 million m^3 in 2013, up from 10 million m^3 in 2012. With the Canada-Korea Free Trade Agreement having been concluded in July 2014, the current tariff of 5 per cent on Canadian lumber sold into Korea will be eliminated by 2017. The existing 8 per cent tariff for plywood and OSB will be fully removed after 10 years. As a result, B.C. and Canadian wood products will be even more competitive.

In EU28 countries, construction activity continued to decline, with consumption of 125 million m^3 in 2013, down from 132 million m^3 in 2012. However, the European Timber Trade Federation predicts a possible turnaround in certain regions, including the U.K. and Germany. Other positive trade news is the proposed Comprehensive Economic and Trade Agreement being negotiated between Canada and the EU. If implemented, it will eliminate 99 per cent of existing tariffs and provide increased access in Europe for B.C. forestry and value-added wood products.

2013 Total Sales of B.C. Softwood Products to World Markets[2] (27.5 Million m^3)



Markets for B.C. Wood Products

B.C. exports of softwood lumber products continued to rally in 2013 over 2012 levels, growing 7 per cent to 27.5 million m^3.

Sales to the United States drove this increase, as exports of softwood lumber increased 9.2 per cent to 13.6 million m^3 and panel exports rose 1.6 per cent to 1.36 million m^3. These increases reflected the strengthening U.S. housing market where starts rose 28 per cent to 926,000 units. This rate of growth is expected to slow in 2014, as mortgage rates have increased and investment firms have scaled back their purchase of foreclosed homes for conversion into rental units.

B.C. shipped 8 million m^3 of softwood lumber to China in 2013, a 6.6 per cent increase over 2012. B.C. shipments represented 47.3 per cent of China's total imports of softwood lumber, and 18.7 per cent of its consumption of that commodity. With 2014 first-quarter GDP growth coming in less than the target at 7.4 per cent, the Chinese government announced three "pro-growth" initiatives in April. These measures include tax cuts for small businesses, as well as increased spending in railways and low-income housing. No financial details were announced for these initiatives but it is believed the final figures will be much less than the RMB4 trillion ($708 billion USD) package that was injected into the economy in 2009. The impact of these measures is still to be determined.

Softwood product exports to Japan from B.C. totalled more than 2.8 million m^3 in 2013, the largest volume since 2008 and up 10 per cent from 2012. These exports were driven by a 13 per cent increase in wood housing starts to 549,971 units. While post-and-beam was still the most preferred construction method, 2x4 starts reached an all-time high (+12 per cent) at 120,111 units.

B.C. lost market share in Korea in 2013, where housing starts of 440,116 units were down 25 per cent from 2012. Although total consumption of softwood lumber increased, B.C.'s exports were approximately 261,000 m^3, down from 305,000 m^3 in 2012. Preliminary housing data for 2014 indicates a possible bounce-back year for the construction sector, due in part to the relaxation of previously prohibitive capital gains taxes for home owners.

Exports of B.C. softwood products (including panels) to the EU, at 203,000 m^3 in 2013, were down slightly from 212,000 m^3 in 2012, reflecting reduced overall construction activity. A construction index that tracks production volumes confirms this trend, as it has recorded a drop of 25 per cent since August, 2008. On a country-by-country basis, softwood consumption and housing starts are only predicted to increase in 2014 in Germany and the United Kingdom.

More details on B.C. exports and trends in the global wood products sector are available in two reports published annually:

- B.C. Forest Products Trend Analysis in Export Markets 2013, Volume 1: Global Market Overview and B.C. Exports
- B.C. Forest Products Trend Analysis in Exports Markets 2013, Volume 2: Export Market Summaries

Both are available online at www.bcfii.ca.

2013 Sales and Market Share of B.C. Softwood Products in Key Markets[3]

United States
120 Million m^3
B.C. Sales 15.0 million m^3

China
232 Million m^3
B.C. Sales 8.0 million m^3

Japan
26.1 Million m^3
B.C. Sales 2.8 million m^3

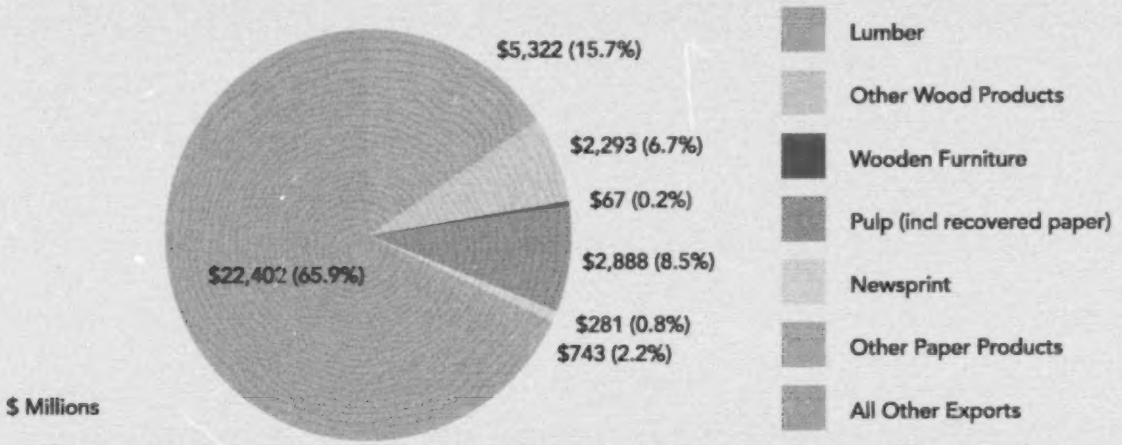
South Korea
10.4 Million m^3
B.C. Sales 0.26 million m^3

European Union
125 Million m^3
B.C. Sales 0.20 million m^3

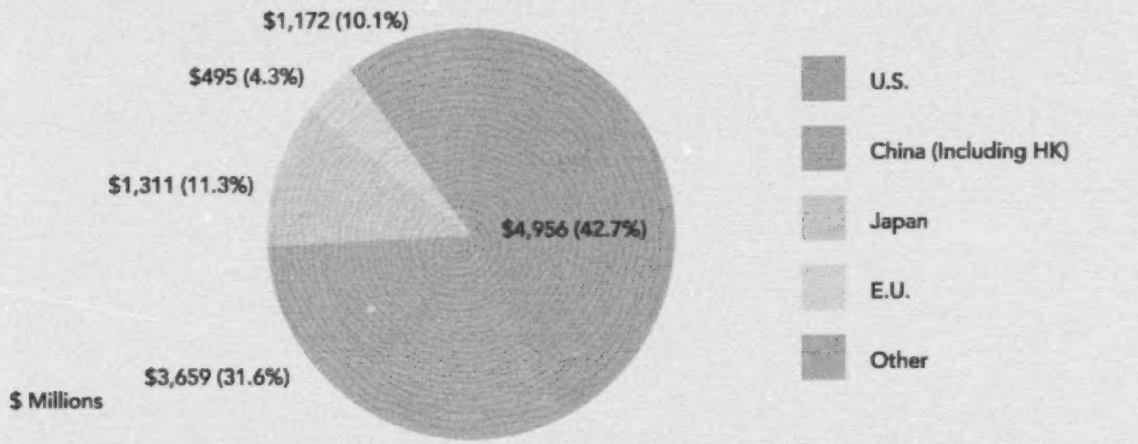
[2] Based on sales of five softwood products (lumber, plywood, OSB, particleboard and MDF) and B.C.'s share of total domestic consumption in each market.

[3] The size of the circles is proportional to the total size of each market for the five softwood product lines.

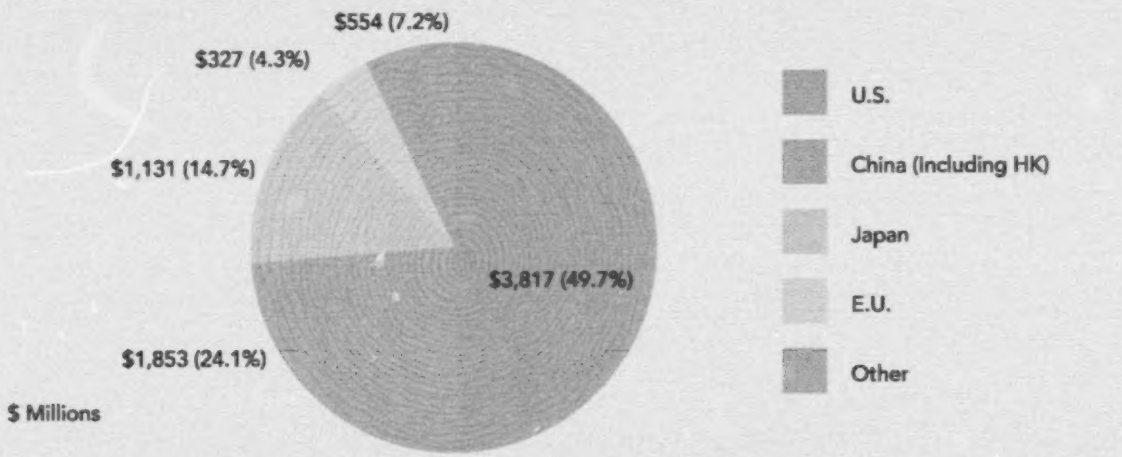
British Columbia Exports | Sales 2013 - $34 Billion



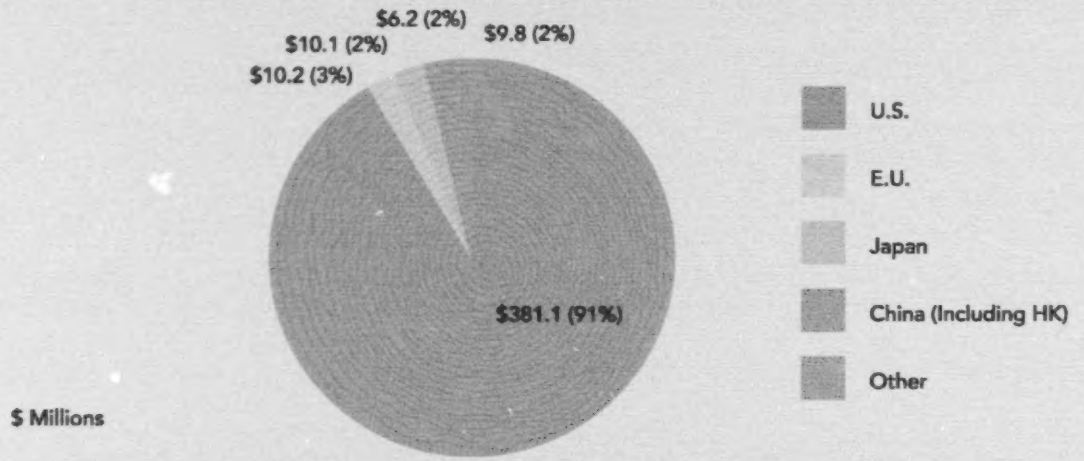
British Columbia Forest Product Exports | Sales 2013 - $11.6 Billion



British Columbia Solid Wood (including Wooden Furniture) Exports | Sales 2013 - $7.7 Billion



British Columbia Value-Added (including Wooden Furniture) Exports | Sales 2013 - $417 Million



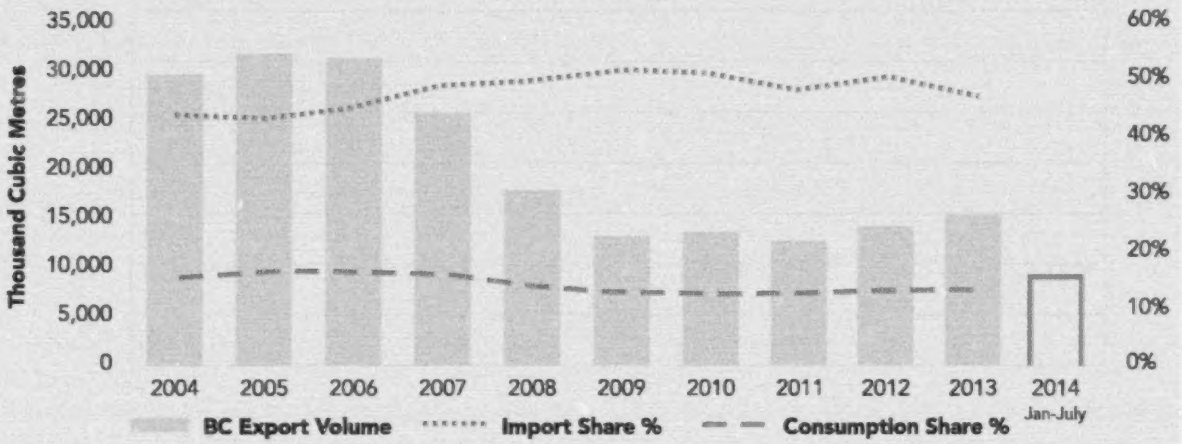
"This agreement is an important step in our unique and growing relationship with China, one that I'm sure will continue to provide mutual benefits and prosperity for many years to come."

Minister of Forests, Lands and Natural Resource Operations
Steve Thomson

Minister of Forests Lands and Natural Resource Operations, Steve Thomson (centre), signs a Memorandum of Understanding with China's Zhejiang Province to increase the use of wood-frame construction in China, August, 2014. Attending the video conference event were B.C. Special Representative in Asia, Ben Stewart (4th from left) and other representatives from FII, government and industry.

UNITED STATES

B.C. Softwood Commodity Product Sales in U.S. (Softwood lumber, plywood, OSB, MDF and particleboard)



Market Type

- B.C.'s largest market for wood products
- Mature single-family housing sector dominated by wood-frame construction and use of value-added and cedar products
- Large non-residential construction sector
- Significant multi-storey, multi-family housing construction

B.C. Position

- Market leader with a 46 per cent share of all commodity softwood imports (51 per cent for lumber only) representing 12.5 per cent of total U.S. softwood consumption

Export Sales

- 2013: 15.0 million m^3 of commodity wood products valued at $3.1 billion
- 2014 (through June): 7 million m^3 valued at $2.0 billion (this represents an increase in both volume and value on the same period in 2013)

Market Overview

GDP growth in the U.S. was 1.6 per cent in 2013, down slightly from 2012, while unemployment fell to 7.6 per cent and inflation fell to 1.4 per cent. Overall business and investor confidence continued to rise during the year.

U.S. housing construction was one of the strongest segments of the economy, with housing starts increasing by 28 per cent to 926,000 units. Reflecting this activity, total wood consumption per capita increased by 7 per cent in 2013. Predictions are that this growth will continue, with housing starts possibly reaching 1.5 million units annually by the end of 2014/15.

The stronger outlook for wood consumption in the U.S. is driven in part by higher average home prices and the shift to multi-family units, which now make up 31 per cent of all housing starts. However, design preferences are shifting in the U.S. with younger home owners preferring smaller units, which could lead to a smaller total volume of wood per housing unit. Green building trends are also expected to influence residential and non-residential construction as sustainability and green rating systems enter the mainstream.

B.C. currently has a 15.2 per cent share of total U.S. consumption of softwood lumber but a 51.4 per cent share of total imports. The province's share of the softwood plywood imports is 25 per cent, up slightly in 2013. Other segments such as softwood lumber, medium-density fibreboard (MDF), and particleboard all remained steady in terms of market share. Oriented strand board's (OSB) market share fell slightly in 2013 to 36.6 per cent.

Market Strategy

The focus of market development efforts in the U.S. is on expanding wood use in non-residential (multi-storey, multi-family housing and commercial) construction. Programs also target the repair and remodeling market for value-added products, including western red cedar.

In the U.S., FII supports the WoodWorks program delivered by the Wood Products Council in partnership with Natural Resources Canada and the U.S. based Softwood Lumber Board (SLB). This program has established a good track record in influencing developers, designers and architects to incorporate more wood in their projects, as well as converting projects to wood from other materials. U.S. and Canadian wood producers continue to place a high priority on the WoodWorks program in pursuing opportunities in the U.S. non-residential market.

Maintaining support for high value niche markets is also a priority, with activities targeting applications such as resort homes, log and timber frame homes, pre-fabricated housing, cabinetry, millwork and finishings, exterior applications using western red cedar, and other end-uses supplied by B.C. firms. Industry continues its exploration of new market segments within the U.S., such as recent efforts to target specialty products for the oil and gas sector (timbers for rig mats, wood fibre products for spill control, and high-end pre-fabricated housing for new developments in oil exploration areas).

Focus in 2014/15

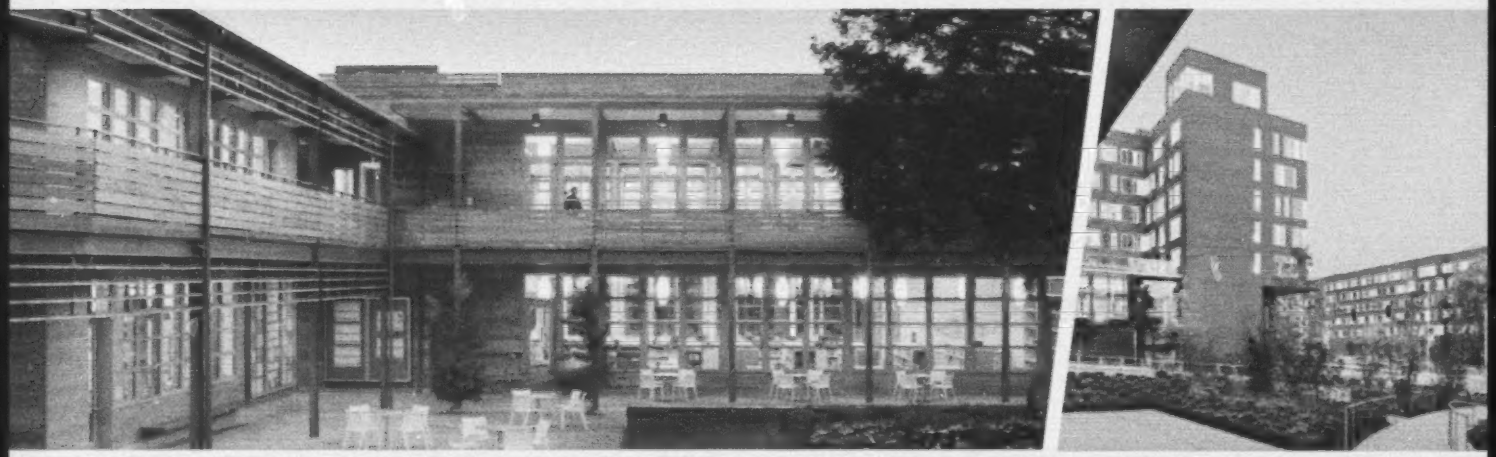
In 2014/15 FII will be working with partners to update the strategy for U.S. market development. A revised strategy is expected to be concluded in 2015.

With a declining harvest forecast for the B.C. interior, supply constraints may drive lumber prices higher and make wood less competitive when compared to other materials. Reflecting this, maintaining supply for a rebounding U.S. market will be a top priority for the B.C. industry in 2014/15 and beyond.

For 2014/15, a renewed focus on project conversions and dissemination of technical advice will enable the WoodWorks program to accelerate sales in non-residential and multi-family construction. Previous work in the multi-storey/multi-family residential sector and recent data from the U.S. indicates that there is significant opportunity for growth in these segments.

There is also potential for growth in non-residential construction and in the repair and remodelling sectors. For example, the reThink Wood program and other industry initiatives are promoting adoption and commercialisation of expanded building systems (such as cross-laminated timber) in the U.S. through provision of tools, education and one-on-one support.

B.C.'s value-added firms and cedar producers are focussing on maintaining demand in resort housing and in repair and remodelling. New activities in the oil and gas sector are expected to identify niche opportunities for B.C. producers.



Select Accomplishments: United States

- Over 231,000 U.S. industry professionals attended events where wood was showcased, generating an estimated $162 million in incremental sales of wood products.
- Information on wood products, and uses of wood in non-residential, multi-family and mid-rise projects, was provided to more than 69,000 building professionals.
- 80 per cent of builders architects and specifiers engaged by the program said they viewed wood as a preferred building material.
- 12,055 individuals received training in using wood products in their building projects via Wood Solutions Fairs, lunch-and-learn workshops, and educational seminars run by WoodWorks in partnership with various associations of architects and engineers.
- Program promotions were particularly successful in extending their reach with over 524 advertisements placed, and 28 articles/editorials prepared that profiled the benefits of using wood. These promotions reached an estimated total audience of over 139 million potential consumers.
- A revamped look for www.realcedar.com increased total reach for the cedar program. The delivery of cedar online training programs opened new channels for improving consumer and trade awareness of the advantages of using and working with cedar.

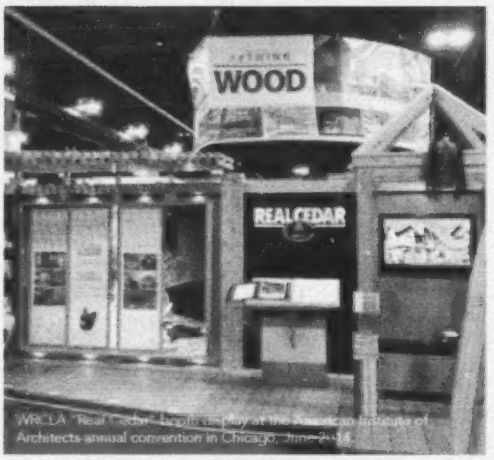
"Stella", a new mixed-use, multi-family project in Marina del Rey, California

Cost and Versatility Drive Conversion to Wood

The sleek, contemporary exterior of the Stella project in Marina del Rey, California, gives little indication of the wood framing inside. Featuring five storeys of wood on a one-storey concrete podium, the Stella may be the future of mid-rise construction in the U.S. The developer's own cost analysis, supported by the U.S. WoodWorks program, showed that considerable savings could be made by switching to wood. By reducing costs, the developer was able to add a number of luxury features to the complex, which added to the overall sales values.

reThink Wood Joins Forces With Western Red Cedar Association

In 2013/14 the reThink Wood campaign worked closely with B.C. industry associations to coordinate tradeshow promotions under common branding and approach. The "Real Cedar" booth and materials provided additional depth to the reThink brand platform and found new audiences for outdoor, furniture and finishing applications.



WRCLA "Real Cedar" booth on display at the American Institute of Architects annual convention in Chicago, June 2-14.

First All-Wood School in West-Virginia

The U.S. WoodWorks team provided valuable support and advice in the designing of Franklin Elementary School, the first all-wood school in West Virginia. Originally intended to be a concrete or steel structure, the school will be built instead with a combination of wood frame and cross-laminated timber (CLT). The change was based on the WoodWorks team demonstrating the cost and environmental benefits of using wood while maintaining functionality and design. The school district and contractor consider the project to be "cutting edge" and it is likely to influence other school construction in the region.

Rendering of Franklin Elementary School, first wood frame and CLT school in West Virginia

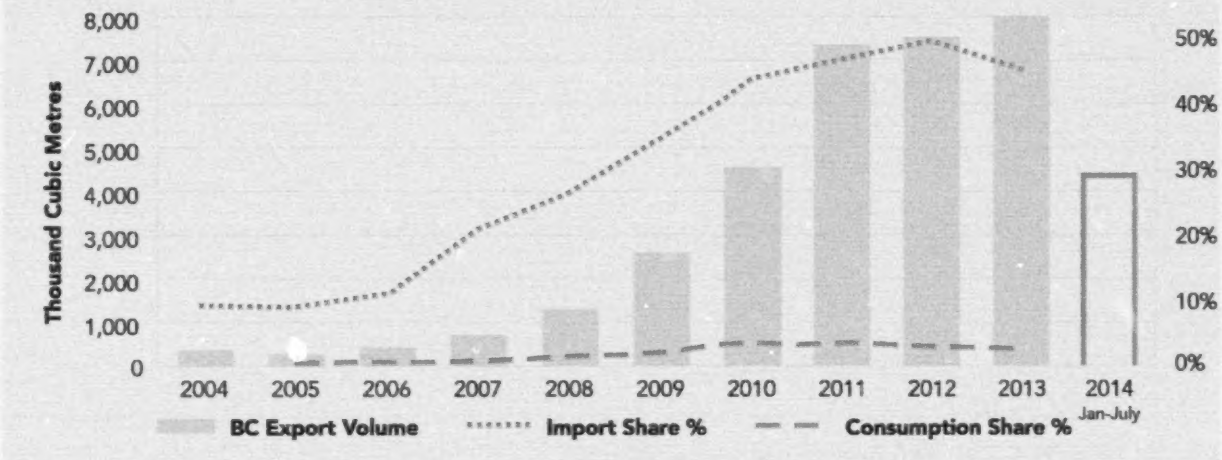
Interfor display at NAWLA under the B.C. Wood pavilion

B.C. Wood Helps Lumber Producers Catch the Rising Wave in the U.S.

Exhibiting at the North American Wholesale Lumber Association's annual Trader's Market is a tradition for B.C. companies. The annual event has proven to be one of the most effective platforms for B.C. lumber and value-added building product suppliers to meet with wholesale buyers from the U.S. In 2013/14, with U.S. markets rebounding, it was more important than ever for B.C. to send a strong contingent south for this show. A total of 12 companies participated and reported significant sales leads. BC Wood Specialties Group coordinates the B.C. presence at NAWLA on behalf of industry and provides additional match-making services for participating companies.

CHINA

B.C. Softwood Commodity Product Sales in China (Softwood lumber, plywood, OSB, MDF and particleboard)



Market Type

- B.C.'s second largest export market for softwood lumber, by volume and value, after the United States
- Significant market for softwood lumber in industrial applications with large potential for higher-grade lumber in wood frame construction

B.C. Position

- Largest supplier of softwood lumber with a 47 per cent share of softwood commodity lumber imports in 2013
- B.C. exports heavily oriented to SPF lumber (approximately 85 per cent of shipments)

Export Sales

- 2013: 8 million m^3 of softwood lumber valued at $1.4 billion
- 2014 (through July): 4.4 million m^3 valued at $812 million

Market Overview

As mentioned in the Market Trends section, with GDP growth coming in at less than the target of 7.4 per cent, China announced additional stimulus packages in 2013, including tax cuts for small businesses and increased spending on low-income housing and infrastructure. As a result, wood consumption continued to trend upwards with growth of 17 per cent on a per capita basis. Unemployment, inflation and other key economic indicators showed little movement, while the Yuan fell by 4.8 per cent against the Canadian dollar, making imports of B.C. wood products more expensive for Chinese customers.

Demand for housing remained strong in tier-one cities (Beijing, Shanghai, Guanzhou and Shenzen) due largely to existing residents who were upgrading to higher value homes, in-migration from other parts of the country, and speculation by Chinese investors buying additional properties. Forecasts suggest that median incomes in tier-one cities will continue to rise and drive future property markets.

China's declining trade surplus and a dampening of growth throughout the economy suggest that flat or declining demand for most commodities, including wood products, will be the dominant trend of 2014/15.

Market Strategy

As B.C.'s second largest market for commodity lumber, China is a priority market for the B.C. forest sector.

Increasing the use of wood in higher value applications, particularly mid-rise and multi-family construction, remains the long-term focus of the FII and Canada Wood Group market development program. Activities profiling the use of wood "in-fill" in high-rise construction, wood-truss roofing, and hybrid construction where wood is used in tandem with concrete/steel systems and other materials, form the basis of marketing efforts.

FII's subsidiary, FII China, works closely with industry representation under the Canada Wood Group. The latter leads efforts to encourage adoption of wood building systems and structural and appearance grade products through training, research and promotion delivered to construction professionals, architects and engineers. This is backed by a quality assurance program that provides technical advice and onsite review to encourage best practice methods and acceptable standards. The training and quality assurance programs are supported by advertising and tradeshow campaigns to raise awareness of the benefits of building with B.C. lumber.

FII China supports industry efforts by building and maintaining strong relationships with central and regional government authorities and with the major state-owned development companies, and by providing architect and engineering expertise at the design stage.

Focus in 2014/15

The focus of the joint market development program in 2014/15 is on pursuing growth opportunities for higher quality products in high value applications. In particular, the program is working to capitalize on the significant opportunity for expanding wood frame construction (WFC) in low-density projects, including mid-rise, multi-family buildings, with a target of doubling WFC lumber volume by 2016. Given limited resources, program efforts are targeted at increasing market penetration in regions and cities where the program has operated in the past, such as Shanghai and Beijing, and where climate and political factors are favourable to expanding wood frame construction, including the Jiangsu and Zhejiang provinces.

Canada Wood Group continues to encourage uptake of wood for high value structural and non-structural applications, with a specific focus on non-residential "showcase" buildings. These projects will be used to introduce high-potential developers to Canadian wood products.

The program also seeks to maintain and, where possible grow, sales to the manufacturing sector, with emphasis on the export furniture segment. Promotional efforts highlight the benefits of Canada's sustainably harvested forest products and the attributes of Canada's many high value hardwood and softwood products. Attention is being paid to maintaining market share in the interior decoration and fit-out segment, where Canadian softwood and hardwood species compete with Russian, European and American materials.

FII and Canada Wood Group are closely monitoring developments related to a new timber legality verification system which may present a challenge in terms of establishing the legality and chain of custody for Canadian products. While many Canadian companies have certification, fewer have chain of custody verification, which may be needed to establish legality under the new system.

Sanlin Affordable Housing Project, Shanghai

Select Accomplishments: China

- Canada Wood Group held over 150 training sessions (e.g., workshops, lunch-and-learn sessions and seminars) that reached over 4,900 construction and building professionals. 76,500 industry professionals attended trade events where B.C. wood products were showcased.
- 80 per cent of participants who attended training programs said the sessions were worthwhile and that they increased their capacity to use wood products and systems.
- Site visits were completed to 374 projects to provide technical advice and quality assurance support to Chinese builders.
- B.C. wood products and building systems were featured in 88 articles and editorials in Chinese publications.
- Canada Wood Group's vocational schools program trained more than 50 instructors in wood construction methods. Plans were formulated to implement vocational programs in wood construction in more than 20 Chinese schools in 2014/15.
- Using social media channels, Canada Wood Group built an online community of wood companies, architects and other building professionals in China. This enabled more frequent and direct communication with target audiences.
- FII, Natural Resources Canada, and industry worked together to update the strategy for the China market. The revised strategy outlines the opportunities and threats to growing B.C.'s share of the wood products market in China over the next three to five years.

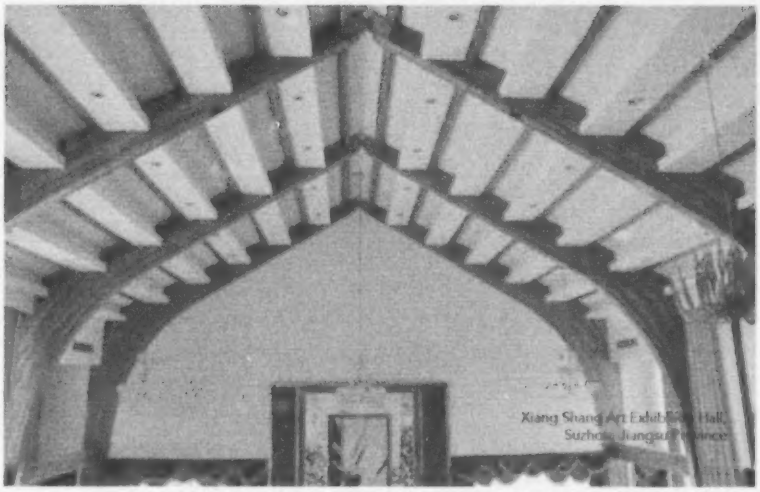
China – Building Stronger Ties with Shanghai's Housing Bureau

The completion of a wood frame Administration Centre at the Sanlin Affordable Housing Project demonstrated the viability and benefits of wood construction to the Shanghai Housing Bureau, leading directly to the signing of an enhanced memorandum of understanding (MOU) between the housing bureau and the Province of British Columbia. The MOU was signed by Minister of Forests, Lands, and Natural Resource Operations Steve Thomson during a joint government-industry trade mission to China in October 2013. The MOU calls for greater cooperation in the areas of new wood frame technology applications and joint promotional efforts.

Minister of Forests, Lands and Natural Resource Operations Steve Thomson and a forest sector delegation attend completion ceremonies at the Administration Centre at the Sanlin Affordable Housing Project in October 2013.

B.C. Wood Used to Create Eye-Catching Structures

With technical support from Canada Wood Group, developers in China are designing innovative structures that take advantage of the strength and versatility of B.C. wood species. The Xiang Shang Art Exhibition Hall in Jiangsu Province, uses Douglas-fir to create an eye-catching space in which to display local artwork.



Xiang Shang Art Exhibition Hall, Suzhou, Jiangsu Province

B.C. Wood Species Featured in Stunning Bridge

Canada Wood China provided technical support to the developers of Suzhou Xuhong Timber Arch Bridge in Jiangsu Province. Canada Wood technical input allowed the developers to incorporate SPF lumber from B.C. with European glulam to create a stunning and innovative structure.

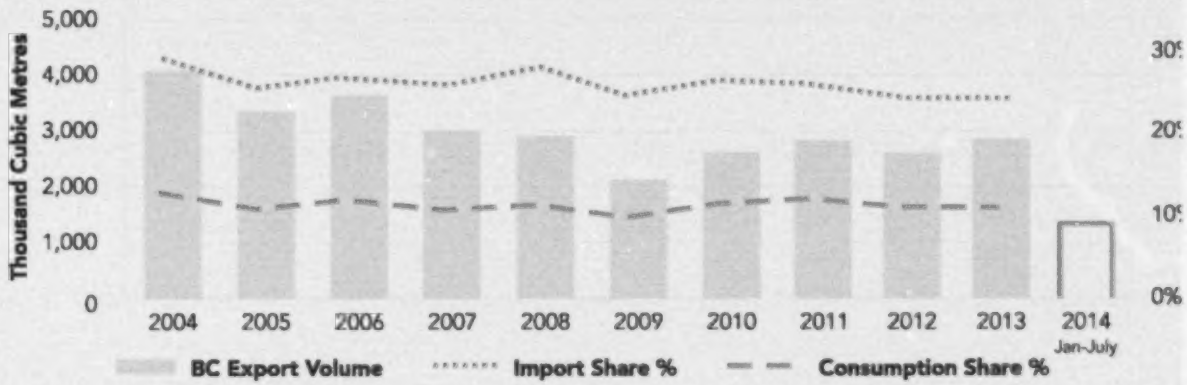
Suzhou Xuhong Timber Arch Bridge in Jiangsu Province

Qibao Middle School Wood Infill Wall Project

One innovative application of wood frame technology is the use of wood in non-bearing infill partition walls. Under a formal cooperation agreement between FII China and the Minhang District Housing Bureau in Shanghai, a demonstration project was successfully completed during the first quarter of 2014/15. The Qibao Middle School project was required to meet national and local building codes, including rules on structure, sound insulation and fire control. In terms of energy performance, labour and material costs, and durability, the project demonstrated that light-weight wood partition walls can match, or even exceed, steel and concrete walls.

JAPAN

B.C. Softwood Commodity Product Sales in Japan (Softwood lumber, plywood, OSB, MDF and particleboard)



Market Type

- Third largest market for B.C. wood products by volume and value, with preference for higher quality wood products generating higher prices for B.C. exporters
- Shrinking housing sector due to an aging population
- Opportunities in hybrid construction, specialty residential (e.g., elderly care housing), and "green building"
- Opportunities for high quality value added products

B.C. Position

- Market leader with 24 per cent share of softwood commodity product imports
- 37 per cent share of softwood lumber imports

Export Sales

- 2013: 2.9 million m^3 of commodity wood products valued at $886 million
- 2014 (through July): 1.4 million m^3 valued at $463 million.

Market Overview

Japanese GDP growth was 2 per cent in 2013, the same rate as in 2012. Other main economic indicators remained unchanged. Total wood construction, however, was up by 11 per cent. As a result, 2013 was a strong year for the B.C. industry in Japan, with exports up 8 per cent to 2.6 million m^3. These sales were driven by an active housing sector that saw starts rise to 549,971 units, the highest since 2006. Post-and-beam construction is still the preferred wood building system in Japan, but 2x4 starts reached an all-time high during the year, rising 12 per cent to 120,111 total units.

Japan's housing market is mature with limited long-term growth prospects due to an aging population. However, in the housing sector, platform frame construction has gained market share. On another positive note, the Japanese government continues to seek ways to stimulate growth in housing investment, including reforming mortgage tax rates, which bodes well for B.C. exporters.

Amid these positive signs, Japan's Wood Use Points program, implemented in 2013, remains a concern for the B.C. industry and other off-shore suppliers. Under this program, points are awarded for the use of domestic wood species in home construction. In 2013, Japanese authorities recognized U.S. Douglas-fir and European spruce from Austria as "domestic" species for the purposes of the scheme, providing an advantage to U.S. and Austrian suppliers. Canadian species have yet to achieve this classification. The exact impacts of this program on B.C. wood products remain to be seen, as uptake by Japanese consumers has been less than expected. Canadian and B.C. government and industry representatives are continuing to pursue negotiations with Japan on this issue to ensure that access for B.C./Canadian products is not unfairly hindered by this non-tariff barrier.

Market Strategy

B.C. and Canada have a long-standing presence in the Japanese market, now celebrating 40 years of trade promotions in Japan. In 2013/14, FII worked with Natural Resources Canada and the industry to develop a strategy that will guide activities over the next three to five years. Despite the maturity of the market, the strategy identified several new areas of potential growth for B.C. wood products, and outlined four specific areas for focus:

1. Expanding opportunities for wood frame construction (WFC) in the non-residential and institutional segments and in single family housing, which consumes the highest SPF volume overall.

2. Maintaining the volume of exports for Canada Tsuga (hem-fir) and other coastal species in the post-and-beam segment, a long-standing priority in the market. A particular emphasis is being placed on exploring opportunities for Canada Tsuga in non-residential applications.

3. Expanding the geographic distribution and market penetration for oriented strand board (OSB) throughout Japan, with a particular focus on increasing the percentage of post-and-beam buildings using OSB sheathing.

4. Increasing market penetration for high value hardwood and softwood specialty products, with a focus on high-end housing, non-structural applications and building solutions.

In addition to sector-specific and product-specific approaches, the market strategy includes completion and promotion of the Canada Tohoku Reconstruction Project. A $4.6 million initiative of the Governments of Canada, B.C. and Alberta, and the B.C. forest products industry, the project is assisting Japan's rebuilding following the 2011 earthquake and tsunami. Three buildings have been completed and a fourth is currently under construction, all featuring extensive use of B.C. and Canadian wood products. The overall project will serve as a permanent showcase for Canadian wood products and applications in Japan.

Focus in 2014/15

The value-added sector has invested heavily in Japanese promotional activities, including promotions for western red cedar which is highly regarded in Japan, to expand the use of B.C. species in architectural millwork and other specialty applications. In line with an updated strategy for Japan, activities are focusing on creating broader recognition of Canadian species and expanded use of B.C./Canadian products in a variety of applications.

Specific attention is being paid to analyzing and mitigating non-tariff barriers, such as the Japan Wood Use Points Program, and the impact of the approval of U.S. Douglas-fir and European Spruce from Austria under the program. Efforts to have Japan recognize B.C. species under the program are continuing.

Community facilities and multi-unit residential applications of wood frame construction remain a focus and build on gains achieved in the elder care sector and in other healthcare-related segments.

The 2020 Olympic Summer Games in Tokyo present significant opportunities to raise awareness of the use of wood in the venues for the 2010 Winter Games in Vancouver and Whistler, and the prospect of a similar approach to venue construction in Japan. Industry will be engaging on a variety of fronts to identify opportunities around Olympic construction projects. B.C.'s success in getting wood products incorporated into projects for the London Olympics will assist in capitalizing on the Japanese opportunity.

The Coast Forest Products Association is working with customers to highlight applications for coastal species beyond its traditional markets. Developing and disseminating technical information to Japanese customers and specifiers is a priority.

Canada's support for Japan under the Canada Tohoku Reconstruction Project is being profiled to capitalize on recently completed projects.

A series of inbound missions to Canada will focus on elderly care facilities and multi-unit residential housing as a means of continuing to build momentum in these sectors.

Select Accomplishments: Japan

- Ongoing work to recognize the use of OSB in shear wall applications resulted in three new ministerial approvals certifying its use in Japan. New multiplier calculations were accepted by the Ministry of Land, Infrastructure, Transport and Tourism which allow for OSB use in post-and-beam and platform frame construction.
- SPF exports grew by 73 million board feet and 30 per cent in value in 2013.
- Trade events in Japan continued to attract attention to B.C./Canadian products with over 36,000 industry professionals visiting tradeshow promotions to learn more about using Canadian species.
- Over $11 million in new sales leads were directly attributed by the value-added industry to participation in Japanese trade events.
- 1,740 Japanese designers, architects, and construction professionals received training in 152 sessions held across the country.

Proposed Largest-Ever Japanese Wood Building Features Canadian Wall Design

Wood building technology developed in B.C. has played a key role in the design of a proposed new elderly care facility in Japan. If built, the 9,023 m^2, 5-storey facility would be the largest-ever wood building in the country. The government chose the design submission by Mitsui Home Co. over competing bids due to the use of a Midply Wall System developed by FPInnovations, a wood products research agency, and UBC.

The wall system provides added strength over normal construction techniques and is particularly suitable to areas with earthquakes, like Japan. The choice of the design follows several years of working with Japanese officials to share technical data on Midply Wall Systems, conduct tests, revise building codes, and raise awareness of the system with architects, engineers, and builders. Canada Wood Japan and COFI collaborated extensively in these efforts.

The elderly care facility will have 9,023 square metres of floor space over 5-storeys. A final decision on the project is forthcoming. If it proceeds, it will provide an opportunity for B.C. firms to supply the 30 containers of wood products needed to build the facility.

New Approaches for SPF in Japan

Increasing awareness of the use of SPF in post-and-beam design was achieved through displays at trade events such as at the Japan Kenzai Fair in 2013. Canada Wood Group is using displays and materials to attract attention to this new segment for SPF construction in Japan.

Exterior, Orandajima House, Iwate Prefecture, Japan

Interior, Orandajima House, Iwate Prefecture, Japan

Shawn Lanfor, Canada Wood Group
Shinitsu Sato, Mayor of [illegible] Prefecture

Canada Tohoku Reconstruction Project Opens Third Building

The third of four buildings under the $4.6 million Canada-Tohoku Reconstruction Project opened this past summer in Japan.

Oranda Jima House, an after school care and community centre, is a 194 m^2 building featuring playrooms, a music room with sound proof walls, a courtyard, quiet space and counseling rooms, as well as a playground and multi-purpose kitchen and deck. As with all of the buildings completed under the joint B.C.-federal government-industry initiative, Oranda Jima House features the use of B.C. wood products, including structural lumber, panels, decking, siding and wood finishing materials. Contributions from the B.C. industry include Canada Tsuga posts, sill plates and Mabashira studs, Douglas-fir beams, SPF roof rafters, OSB structural panels and western red cedar decking, siding and panel products.

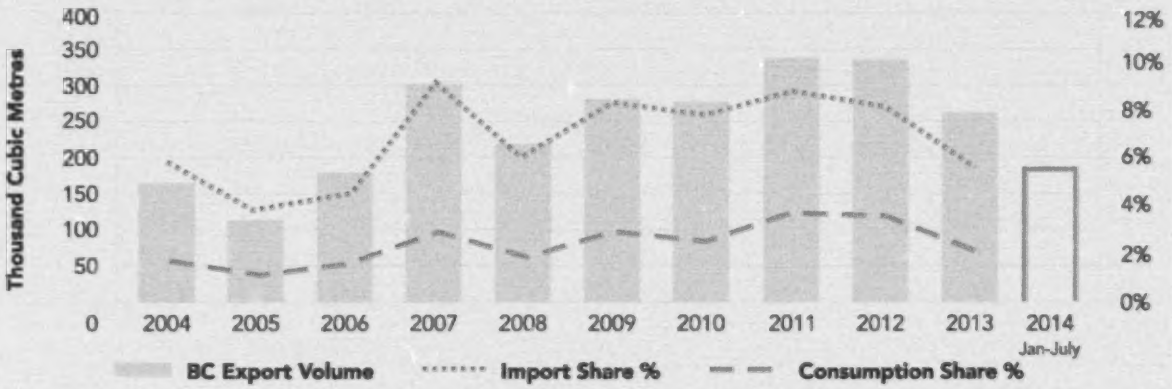
In 2013, the first two Canada Tohoku projects, the Donguri Anne Public Library and the Yuriage public market, opened. The fourth and final project, the Jericho Support Centre for the Disabled, is expected to be completed in early 2015. All of the projects provide essential public services to local residents, serve as a showcase for B.C. wood products and applications, and reinforce the close social and economic ties between Japan and B.C.

Maintaining Visibility is a Priority for the Value-Added Sector in Japan

BC Wood Specialities Group coordinates trade show activities in Japan on behalf of Canada Wood Group and uses eye-catching displays to build traffic and consumer interest.

SOUTH KOREA

B.C. Softwood Commodity Product Sales in South Korea (Softwood lumber, plywood, OSB, MDF and particleboard)



Market Type

- Fifth largest export market, by volume, for B.C. softwood commodity products after the U.S., China, Japan and Taiwan
- Strong potential in the residential housing sector
- Niche market for value-added products

B.C. Position

11 per cent share of total softwood lumber imports

Export Sales

- 2013: 261,087 m^3 of commodity wood products valued at $65.8 million
- 2014 (through July): 188,555 m^3 valued at $48.5 million

Market Overview

GDP growth remained solid at 2.8 per cent in 2013, a slight upward movement from 2012. Although overall housing starts fell by 25 per cent, wood building starts were virtually unchanged.

B.C. maintained an 11 per cent share in total softwood lumber imports in 2013 despite a 22 per cent drop in volume. This reflected the overall drop in imports due to slower than expected economic activity and the impact of Korea's new standards for preserved wood products, which has limited opportunities for B.C.'s SPF lumber in the exterior market. Preliminary housing data for 2014 indicates a possible bounce-back for the construction sector, due in part to the relaxation of previously prohibitive capital gains taxes for home owners.

In March 2014, Canada and Korea concluded negotiations and signed a bilateral Free Trade Agreement which is expected to create new opportunities for B.C.'s exports of softwood lumber and specialty products. By 2017, the tariff of 5 per cent on lumber imports from B.C. will be eliminated with similar tariffs on plywood and OSB to be removed within 10 years.

As hosts of the 2018 Olympic Winter Games, Pyongchang has been a site of much construction and economic activity. B.C.'s wood products industry has been exploring opportunities for using wood in venue construction; however, the Korean government is prioritizing the use of Korean wood species where possible.

Market Strategy

In 2013/14 FII, Natural Resources Canada and the B.C. industry updated the strategy for the Korea market. Five areas of focus were identified that target the areas of greatest opportunity.

In the wood frame construction (WFC) sector, the goal is to increase volume by 10 per cent per year. This will be achieved through expansion of wood use in residential construction, actively working to improve WFC building and design quality, and adoption of wood in-fill walls in all applications.

The strategy is also working to promote WFC's energy efficiency advantages as well as influence Korean government policy to align with those advantages. These efforts are being undertaken in tandem with code development activities focused on multi-storey, multi-family building applications.

Another priority is to encourage government, architects and developers to use more wood in high value structural and non-structural applications. This includes promoting "showcase" buildings—high-profile public or accessible private buildings like club houses and recreation facilities—that will increase the profile of wood as a building material and highlight the potential for Canadian wood products.

The market development program is exploring the potential for coastal species and other products in the Korean Hanok (traditional post-and-beam construction for single family homes) building industry, for landscaping uses, and is promoting Canadian finishing materials to Korean builders, architects, and designers for use in higher-end condominiums and renovation projects. Promoting the adoption of pre-fabricated 2x4 house packages from Canada to address issues such as domestic Korean construction quality, as well as the needs of wealthy consumers looking for high-end/high-specification homes, may also open up new areas of opportunity.

Focus in 2014/15

Following the recent update of the market development strategy for Korea, program activities in 2014/15 are focusing on expanding core opportunities in residential 2x4 wood frame construction and non-residential (multi-storey/multifamily) construction. Training programs anchor these efforts but, as the local industry in Korea becomes more familiar in working with wood, the focus of the training is shifting with more content now delivered by local organizations.

Industry is looking to capitalize on opportunities for growth under the new Canada-Korea Free Trade Agreement, as well as continue to work on remaining market access barriers, particularly sound and fire regulations.

As Korean consumers are particularly sensitive to health and environmental concerns, initiatives continue to position B.C. favourably in the market by focusing on the health, energy efficiency, and environmental benefits of wood construction. Korea will launch a carbon emission cap-and-trade system in 2015 which will contribute to these efforts by helping raise public awareness of environmental issues.

Niche opportunities for value-added products and pre-fabricated building systems from B.C. are being actively pursued through advertising, trade shows and network development.

Canada Wood Korea Quality Support Workshop

Oak Village Triplex Housing, Chicheon, S.Korea

Select Accomplishment: South Korea

- 79 training sessions, attended by 2,734 architects, builders, students and design professionals, were held to provide hands-on experience in designing and working with B.C. species in a variety of applications. Training remains a priority for the market development program led by Canada Wood Group.
- Product and related building promotions reached a total of over 300,000 individuals in the target audiences of trade, professionals, and consumers.
- 185 builders and developers came to Canada Wood Group for technical assistance and support in incorporating B.C. wood into their projects.
- $11 million in sales leads were reported by industry following tradeshows and other promotions.
- Targeted sales promotions for high-end designer furniture and other value-added wood products from B.C. were led by BC Wood Specialties Group. These efforts reached over 273,471 industry representatives and consumers.
- Gyeongnam National University completed a report on a three-year field test of Canadian pressure-treated SPF and hem-fir lumber. The report highlighted the excellent performance of these species in demanding exterior conditions.
- 20 Korean delegates attended the annual Developer Mission to Canada, with many of the participating companies involved in wood frame housing projects. Delegates visited housing projects in B.C. to better understand the advantages and challenges of converting projects from concrete to wood frame.

Canada Wood Korea seminar on "net-zero" energy systems

Promoting Green Building in Korea

Environmental issues are becoming increasingly important to Korean consumers when making buying decisions regarding housing and home furnishings. Canada Wood Group's Korea office is responding to this growing environmental consciousness by incorporating training and promotional programs that demonstrate the sustainability credentials of B.C. wood products, and how to design green building projects, including "net zero" concepts. These training sessions for architects and design professionals have become a crucial tool in communicating B.C.'s green building approaches in Korea.

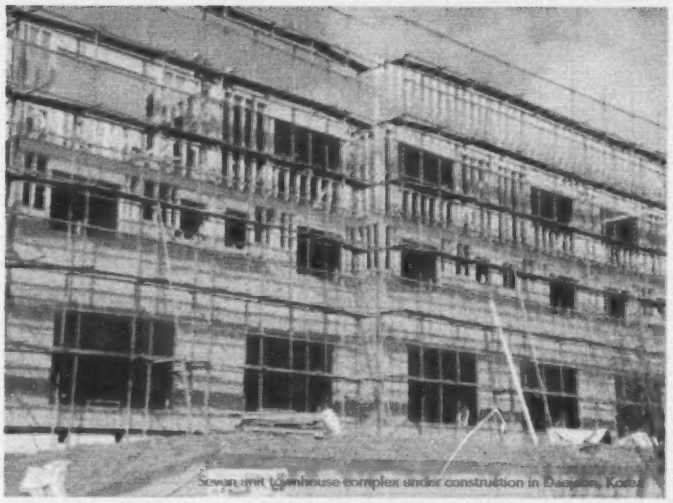
Showcasing the Best in Wood Frame Architecture

Sometimes seeing is believing. In Korea, the Canada Wood Group team works closely with architecture associations to put on displays and exhibitions that show how innovative architecture can be when using wood frame construction systems.

Canada Wood Group Korea Architecture Exhibition 2013

Wood Frame Town House Construction Goes Commercial

After several years of Canada Wood Group programs to promote multi-family wood frame construction systems, Korean developers are starting to incorporate them into their projects. One example is the construction of a seven-unit multi-storey townhouse development in Daejeon by a commercial developer who received technical assistance from the Canada Wood Group Korea office.



Seven unit townhouse complex under construction in Daejeon, Korea

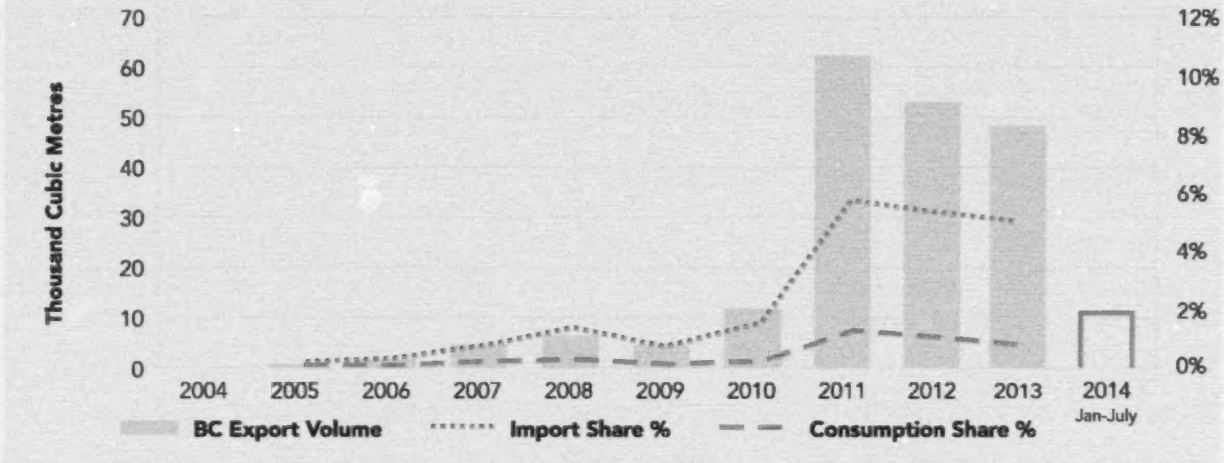
Gapyeong Daljeon Rural Housing Complex Project

Canada Wood Group, funded by FII, Natural Resources Canada and industry, is providing technical assistance and on-site quality assurance to the largest public sector driven wood-frame residential construction project in Korea. Totalling almost 150 buildings, Gapyeong Daljeon Rural Housing Complex Project includes town homes and energy efficient single-family residences. The Government of Alberta is providing additional funding for a wood-frame community centre.

The project has received extensive media coverage valued at more than CDN $630,000. Canada Wood Group is leveraging this publicity by sponsoring a wood products exhibit and open houses for consumers interested in buying wood-frame homes.

INDIA

B.C. Softwood Commodity Product Sales in India (Softwood lumber, plywood, OSB, MDF and particleboard)



Market Type

- Emerging market for softwood products generally, and for B.C. softwood lumber in particular; some B.C. species have only been certified for entry in the last two to three years
- Strong opportunity for coastal products, especially hemlock, western red cedar, and Douglas-fir
- Value added applications in doors, windows, architectural millwork and furniture

B.C. Position

- 17 per cent share of total imports of softwood lumber

Export Sales

- 2013: 47,959 m^3 of softwood lumber products valued at $11 million
- 2014 (through July): 7,841 m^3 in softwood lumber valued at $2.9 million

Market Overview

Overall economic conditions softened in India in 2013. With a weaker Rupee increasing the price of imports, GDP growth slowed to 3.8 per cent and inflation rose to 11 per cent.

An upswing in the southern yellow pine supply from the U.S., and pine and spruce exports from Germany, created a much more competitive market for wood products during the year, resulting in a drop in B.C.'s share of total imports. However, imports and consumption of softwoods are expanding and long-term trends remain positive in this nascent softwood market. FPInnovations estimates that softwood lumber consumption in India grew by seven per cent in 2013.

SPF remains the dominant species in current shipments from B.C. to India; however, FII is seeing strong interest in Coastal species for applications that have traditionally consumed hardwoods. This suggests positive growth prospects for hemlock, western red cedar and Douglas-fir, Log export bans implemented in Myanmar, and trade restrictions in other key hardwood supply locations, continue to influence a trend towards substitution of softwood for hardwoods and an increased interest in lumber imports.

Long-term demographic trends suggest that the expanding and young middle class in India presents an excellent potential market for softwoods. Combined with continued economic growth, this demographic shift suggests that most of the buildings that will exist in India by 2030 are yet to be built. While wood frame construction is not the primary focus of FII's market development strategy, these positive long-term construction trends may lead to the development of a robust market for interior products and finishing materials made from B.C. softwoods.

In July 2013, ongoing work on phytosanitary barriers led to the approval of Eastern SPF to India. Market access work continues in India to ensure that Canadian species are well understood and have smooth passage through customs and regulatory bodies. Canada-India Free Trade negotiations continue, which could yield further reductions in the tariffs on Canadian wood products in the medium term.

Market Strategy

With strong financial support from Natural Resources Canada, FII established an office in Mumbai in 2012. Following initial research into the India market for wood, interior uses (doors, windows, furniture and millwork) were identified as offering the greatest opportunity for Canadian products. These areas remain the focus of the market development program in 2014/15.

Market research will continue to be a central feature of the India program, as the market is not widely understood by the B.C. and Canadian industry. FII is developing and distributing promotional materials and educational content to raise awareness of Canadian softwoods. This will remain a cornerstone of the overall market development strategy for some time as specific concerns of Indian consumers are identified and addressed. Efforts over the last two years have determined a network of possible end users and influencers in India who will be the target for these promotional and training initiatives. Trade events and associated company missions are also an important part of the market outreach efforts now underway.

A core element of the program is supporting local manufacturers to undertake pre-commercial trials using B.C. species in new or existing applications. Several trials have already been completed with a number of local companies interested in sourcing B.C. species.

Maintaining a focus on phytosanitary rules and import regulations will also be important as a number of tariff and non-tariff barriers to market access remain.

Focus in 2014/15

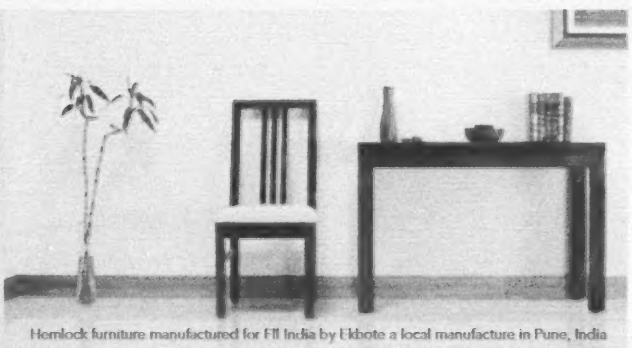
The priority for FII India in 2014/15 is to continue to expand commercial interest in manufacturing and building with wood. Following a number of successful product trials, samples will be used to showcase locally-manufactured materials using B.C. species. More trials have been identified to expand the range of products testing B.C. lumber. In 2015, a demonstration/ showcase project using B.C. species is expected to be completed in Northern India and will be widely promoted and used as a case study for future activities.

Trade show promotions will continue with extended mission activities to expose B.C. companies to Indian manufacturers and importers interested in using B.C. wood species. FII expects another large delegation to attend the key Delhiwood event in February 2015 and will once again partner with BC Wood Specialties Group and the High Commission of Canada to organize activities around the show. FII also collaborates with BC Wood and the High Commission to attract high-potential Indian companies to the annual Global Buyers Mission in B.C., introducing them to British Columbia exporters and the many opportunities for using Canadian species.

Updating branding and promotional literature is also underway with FII having now launched www.canadianwood.in website. The website is an important vehicle to raise awareness and drive enquiries for B.C. wood species in India. The "Canadian Wood" brand will enable the program to leverage the brand reputation of Canada, and to reach target audiences unfamiliar with B.C. FII will continue to update and expand its other resources including factsheets on species, guides to using wood in various applications, and tools to compare properties of B.C. species to traditional local woods.

Demand for Product Trials Takes Off

With word getting out about B.C.'s wood species, the FII India office has been inundated with requests from local manufacturers to undertake product trials. Product trials are an excellent, low-risk way for manufacturers to experiment with B.C. species in new applications where hardwoods have traditionally dominated. Several trials were completed over the past year for windows, doors and furniture.



Hemlock furniture manufactured for FII India by Ekbote a local manufacture in Pune, India

Select Accomplishments: India

- Three major research projects were completed to identify potential end users and overall market potential for doors, windows and furniture and to understand the Indian importer community. The reports have been disseminated to B.C. industry firms to help inform their individual market development plans.
- FII India initiated local testing of B.C. species with the Indian Plywood Industries Research and Training Institute (IPIRTI), a division of the Ministry of Environment and Forests. IPIRTI's analysis will assure Indian manufacturers that B.C. wood products have been tested by a local governing body, confirming their machining characteristics and performance for targeted end-use applications.
- FII India launched an online newsletter for the Emerging Markets Report, jointly prepared by FII's market development teams in China and India. The report provides updates on local pricing, general economic conditions and information about the market development activities underway. The report is being positioned as the "go to" place for information on both the India and China market development programs.
- www.canadianwood.in goes live: FII India launched a new website targeted at Indian consumers to promote Canadian wood species and expand educational outreach efforts. The website is a crucial tool in FII India's education and marketing program as it provides a one-stop clearing house for information on species, product applications and enables potential customers to log enquiries, register for seminars and download technical resources.

FII India product seminar at Indiawood 2014 explains the properties and benefits of B.C. species used by local manufacturers

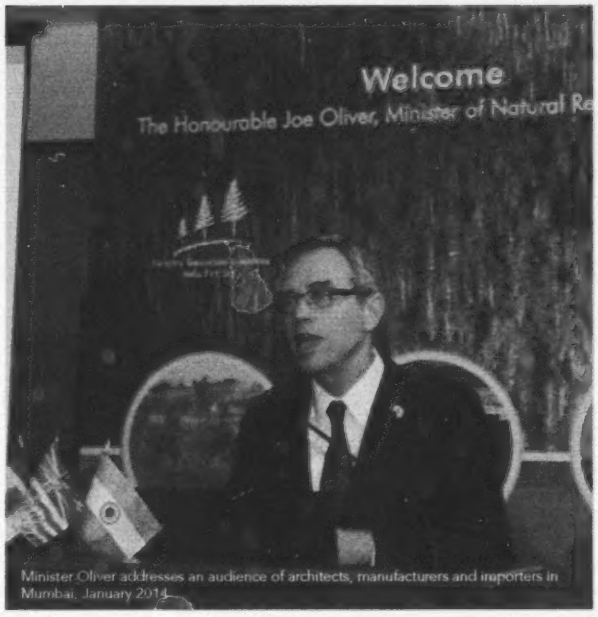
Education Holds the Key

FII India's seminar program is proving a key vehicle in raising awareness of the features of B.C. species, teaching local manufacturers, architects and importers about the properties of B.C. wood, and about which species are suited for specific applications. FII India has delivered over a dozen seminars to target audiences in the past year. These seminars consistently generate demand for more information and have led to enquiries for product trials and commercial shipments.

Government Relations Important to Trade Development

In a market such as India, government-to-government relations are an important dimension of trade development. India and Canada are in the process of negotiating a Free Trade Agreement which will be an important step in our future trading relationship.

Canada maintained a high profile in India over the last eighteen months with visits by Prime Minister Harper, Minister Joe Oliver (then Minister of Natural Resources now Minister of Finance), Minister De Jong (B.C. Minister of Finance), and Minister Thompson (B.C. Minister of Forests). These visits provided an opportunity to showcase the FII office to local contacts but more importantly continues to build the profile of Canadian wood products in India. Media interest in these visits was high with several articles published in national and regional papers as a result.



Minister Oliver addresses an audience of architects, manufacturers and importers in Mumbai, January 2014

Largest Ever Mission from B.C. Attends IndiaWood 2014

B.C. forestry companies and trade associations sent 17 representatives to the IndiaWood Trade Show in early 2014, reflecting growing industry interest in the emerging Indian market. This was the first time that B.C. companies had a coordinated presence at the show within the Canadian Pavilion. BC Wood Specialties Group organized the event along with FII and the Canadian High Commission in Delhi.

IndiaWood is the largest wood products trade show in India, switching each year between New Delhi and Bangalore. With the show in Bangalore in 2014, FII organized an extended mission program for B.C. representatives to learn more about South Indian wood products manufacturers and importers.

The mission focused on visits to manufacturers of doors, windows and furniture as research suggests that these businesses hold the most promise as initial markets for B.C. wood exports. The group also toured warehouse facilities and visited retail showrooms to learn more about the valued-added sector. The mission program included a trip to the main wood products port of Mundra to meet with officials and tour port infrastructure.

B.C. companies tour Indian manufacturing facilities

Mission participants visit manufacturing site near Bangalore

Building Momentum for B.C. Wood Products in India

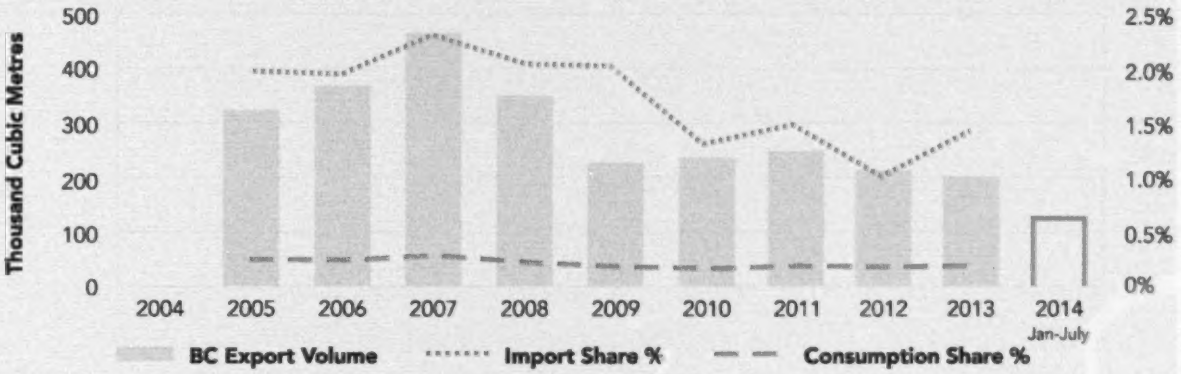
After establishing FII India in mid-2012, a decision was made to secure undeveloped office space rather than prefinished space. This allowed FII India to outfit the office using B.C. wood species in end-use applications suitable to the India marketplace. The renovations were largely completed by the end of 2013 with an official opening event scheduled for later in 2014.

The interior of the office (paneling, furniture, doors, and millwork) was designed and finished in B.C. species donated by, or purchased from, Canadian companies. Every major B.C. species is used in ways that match the qualities and attributes of the products to office/design needs. FII continues to receive many compliments for this creative demonstration of B.C.'s wood species.

FII India Office, Mumbai

EUROPE

B.C. Softwood Commodity Product Sales in E.U.[4] (Softwood lumber, plywood, OSB, MDF and particleboard)



Market Type

- Sixth largest overseas market by volume, and fourth largest market by value for B.C. softwood commodity products
- Mature housing sector with niche opportunities, particularly for high quality products that meet environmental regulations
- Traditionally a strong market for coastal products, especially western red cedar and Douglas-fir

B.C. Position

- Small overall supplier at 3.2 per cent of total imports of softwood lumber

Export Sales

- 2013: 186,348 m^3 of commodity wood products valued at $142 million
- 2014 (through July): 97,146 m^3 valued at $72.9 million (this represents an increase in both volume and value over the same period in 2013)

Market Overview

Following a year of negative economic growth in 2012, the European economy recovered somewhat in 2013, growing by a modest 0.1 per cent . Unemployment remains high at 10.9 per cent, but has improved slightly, while inflation remains very low. Overall, EU countries continue to show very uneven performance with the structural economic problems of a few member states dragging down the average for the region.

Emerging markets, including Turkey and some Eastern European states are showing promise, but growth prospects must be considered in the context of ongoing infrastructure, financing and corruption concerns. These emerging economies, as well as those of Germany and the U.K., supported slight increases in volume and value of B.C. wood product exports in 2013. However, overall, B.C.'s exports of softwood lumber to the EU fell by 8.4 per cent in 2013 and B.C.'s share of total imports fell slightly to 3.2 per cent (186,557 m^3).

Overall construction activity in Europe declined on average in 2013, but the European Timber Trade Federation has forecasted a possible turnaround in markets such as the U.K., where the Structural Timber Association has set a goal of increasing timber's share in construction from 23 per cent to 30 per cent. The German market for wood products is also projected to improve.

In 2013, Canada reached an agreement-in-principle with the EU on a Comprehensive Economic and Trade Agreement (CETA). This bilateral agreement will eliminate 99 per cent of existing tariffs over time and is expected to provide improved access for Canadian forest products to European markets.

The EU has set ambitious goals for renewable energy under its 2020 vision plan. This is driving rapid growth in the demand for pellets for co-generation in coal-fired plants as well as consumer demand in the residential energy (home heating) market.

[4] Due to a change in data sourcing methodology, B.C. market share data in the E.U. is only available from 2005

Market Strategy

Market development funding in the EU, while limited, remains focused on maintaining market access for B.C.'s forest products, including the growing wood pellets segment. Research and active engagement with EU regulatory bodies form the core of the approach.

FII's Market Outreach Program fulfills an important role in ensuring market access by working closely with Canada Wood and others on monitoring issues, and participating in debates and discussions on green building and environmental product declarations. The EU is considered a global leader in environmental regulations, such that efforts by FII and others can have a spin-off impact in other regions, including Asia. FII's Market Outreach activity in the EU will continue to focus on protecting and enhancing B.C.'s international reputation as a leading supplier of sustainable forest products.

Maintaining existing markets for high value softwood products, including value-added products and wood pellets, is a priority for the B.C. forest sector in the European market. FII's approach in the value-added area focuses on the EU countries with the greatest likelihood of sales (e.g., Germany, U.K., France, and Netherlands), with an emphasis on developing opportunities for log and timber frame home packages and other pre-fabricated solutions in eastern European nations. Initial research completed in eastern Europe indicates that further work may be warranted to analyze segment-specific opportunities in sub-regional markets. To date, promotional efforts are focused primarily on development of literature profiling the use of B.C. species in target applications.

Focus in 2014/15

Value-added products, such as pre-fabricated homes, are finding receptive markets in some parts of eastern Europe (e.g., Turkey and the Czech Republic). With support from FII and Natural Resources Canada, investigations into the opportunities in eastern Europe will continue during the year.

FII will also support market access and promotion for wood pellet exports to Europe, as the B.C. industry works to build market share. Industry is supporting work to ensure that new international standards for biomass products are favourable to exports from B.C. and the rest of Canada.

Tall wood structures, Limnologen, Sweden

Select Accomplishments: Europe

- Interest in B.C. pellets remained strong from the U.K. and continental Europe. Export volumes continued to grow and improvements in infrastructure in B.C. for bulk pellet shipments positively impacted sales.
- Intervention with EU regulatory bodies during the year helped to ensure B.C.'s interests were protected as EU authorities developed and implemented environmental protection regulations.
- Promotions in Central and Eastern Europe generated value-added product sales of more than $1.4 million in 2013.
- In response to shifting long-term demand, Canada Wood Group and its partners focused market development activities on the highest priority products, allowing for more cost-effective delivery of B.C.-specific promotional and training programs.
- Canada Wood Group continues to advance the interests of the forest industry in Europe with regard to environmental regulation and market access issues. Europe is a thought leader internationally with regard to market access regulations and green building trends, and efforts to ensure that Canadian species are well positioned are essential. In 2013/14, work was completed on regulations that now ensure access to EU markets for Canadian White Cedar and treated SPF.

Pellets Lead the Charge in Europe

The Wood Pellet Association of Canada (WPAC) continues to position B.C. prominently in European biomass energy markets. Working with industry and government agencies, WPAC has completed research, participated in technical committees and identified new opportunities to protect and expand markets in Europe. These efforts to ensure unrestricted market access for B.C. biomass products have directly contributed to B.C.'s rapidly growing exports. In 2013, B.C. exported 1.9 million tonnes of pellets to Europe, up 380 per cent from exports of 500,000 tonnes in 2009.

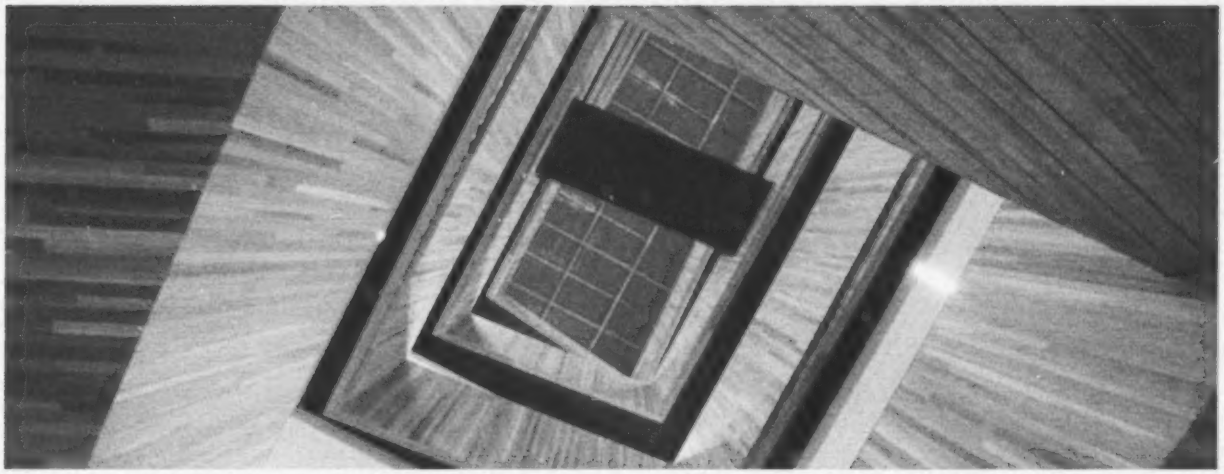
Pinnacle pellets packaged for Italian retail market (left), pellets being loaded for bulk shipment (centre), and loaded onto a freighter (right)

BC Wood Specialties Group booth at Turkeybuild Show 2013

Promotions in Eastern Europe Add Value for B.C.

BC Wood Specialties Group continues to showcase a variety of value-added species and products, including cedar shakes and shingles, at major trade shows such as the Holzhaus show in Moscow and at events in other emerging Eastern European markets, including Turkey. Company support for trade promotions in these emerging markets has remained strong as new opportunities are identified.

Wood First in B.C.



Program Overview

Wood First aims to promote a "culture of wood" throughout British Columbia, support the advancement of wood building systems and technologies, and raise awareness of the province as a world leader in advanced wood technologies and design.

Increased structural and architectural uses of wood offer economic, environmental and social benefits to British Columbia. Greater use of wood from B.C. supports the provincial forest sector through increased employment and revenues, while a greater use of engineered wood products fosters innovation and the growth of value-added manufacturers. Wood building products are climate friendly because of their higher levels of embedded carbon and lower life-cycle footprints in terms of energy consumption in their manufacturing, transport and application. Socially, designing with wood creates public buildings and facilities that are welcoming, attractive, and provide a tangible connection to nature and the outdoors.

FII has been responsible for implementing the government's Wood First Program since 2011.

Program Strategy

FII's strategic objectives for Wood First are to:

- Grow a culture of living and building with wood in B.C. and beyond;
- Maximize the appropriate use of wood in public and private projects;
- Strengthen B.C.'s capability to produce competitive wood-based products and building systems that create and respond to market demand;
- Accelerate adoption of existing and emerging wood-based products and building systems; and
- Position B.C. as a world leader in sustainable and innovative wood-based products and building systems in design, production and application.

These objectives were developed by the Wood First Advisory Committee, the members of which represent a broad cross-section of manufacturers, specifiers and end users.

Program delivery for Wood First is carried out mainly through an annual competitive call for proposals. Successful service delivery proponents are engaged by FII to provide specific promotional, research, educational and capability-building projects and activities that are aligned with the Program's strategic objectives. FII also engages other consultants to enhance or complete the delivery of the Wood First Program.

Focus in 2014/15

For 2014/15, Wood First efforts focus on developing or transferring information to encourage wood use or build long-term understanding of the benefits and appropriate uses of wood. These efforts are being delivered through a combination of promotional initiatives, research, educational programs, and activities designed to strengthen the manufacturing and business capability of the value-added industry. These activities reflect the input of the Wood First Advisory Committee.

Promotion

A series of promotional efforts target architects, engineers, builders and developers in the construction sector in British Columbia by:

- Broadening wood design awareness through delivery of an annual awards program;
- Promoting the sustainable attributes of wood through educational seminars, a dedicated Wood First website, and a suite of printed literature including Wood First profiles; and,
- Facilitating participation of value-added companies at trade events.

Research

A wide range of applied research is being funded at the University of British Columbia and FPInnovations to further B.C.'s leadership in terms of innovative wood use and building systems, as well as support code and regulatory change, including:

- Conducting analytical research to develop design guidelines for tall, timber-steel hybrid buildings;
- Conducting experimental studies to determine fire safety design recommendations for various wood building assemblies;
- Developing guidance for designers and builders to meet market needs and regulatory barriers for seismic design and fire safety; and,
- Applying fire risk assessment tools developed by the Canadian NEWBuildS research network to facilitate early adoption of the design, and ultimately construction, of tall wood buildings.

Education

Professionals in the construction sector, including architects and engineers, are being trained in practical wood design and construction solutions through a series of seminars, luncheons, tours and discussions. These activities build on a highly successful series of outreach activities in 2013/14.

Strengthening Capability of the Value-Added Industry

For several years, FII has been supporting a more competitive value-added (wood products manufacturers) sector by funding a service that works directly with individual companies as well as providing industry-wide training. In 2014/15, this program continues, with an emphasis in the following areas:

- Increasing competitiveness, innovation and adaptability of individual value-added wood companies through assessments, site visits, workshops and conferences;
- Supporting value-added manufacturers in their development of new products through design, engineering, prototyping, testing, and cost/benefit analysis;
- Fostering collaboration between manufacturers and industrial designers; and,
- Improving entrepreneurial skills of small- to medium-size wood products manufacturers through technology transfer projects, technical assessments, workshops, webinars, technical help line service, and face-to-face outreach activities.

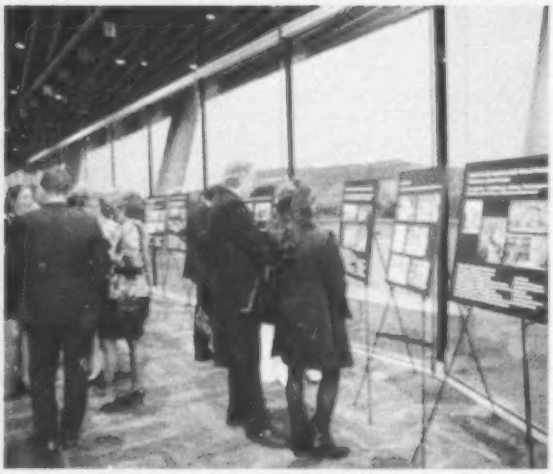
Select Accomplishments: Wood First

- The Canadian Wood Council, in its Wood WORKS! BC program, completed a Contractor's Handbook on wood construction and a primer for contractors on 21st Century wood building and construction solutions systems.
- The Canadian Wood Council organized an international wood symposium, attended by 200 local professionals and senior decision makers who learned about innovative wood building projects around the world.
- Collaborative research between FPInnovations and the UBC Centre for Advanced Wood Processing contributed to the development of design guidance for hybrid wood-timber systems.
- A specifiers outreach program, delivered by BC Wood Specialties Group, continued to engage with architects, designers, engineers, builders and manufacturers through lunch-and-learn seminars, factory tours and tradeshow participation.
- The national research network for engineered wood-based building systems, NEWBuildS, applied its latest design tools and modelling techniques to the design of a possible 20-storey wood building in North Vancouver, B.C. The results are now being disseminated through presentations across Canada.
- By the end of fiscal year 2013/14, 53 local governments or communities across B.C. had passed or endorsed Wood First resolutions or bylaws and more than 150 mid-rise (5-storey and 6-storey) wood-frame projects, consisting of over 200 buildings, using wood frame construction were completed or were in various stages of design and development.
- Outside the Box, organized by the UBC Centre for Advanced Wood Processing, is a forum for anyone interested or involved in the wood products industry to meet, share ideas, explore opportunities, and identify gaps in the market for new product development and innovation. This group has helped many designers to better position themselves for entry into commercial production and to refine designs based on an enhanced understanding of wood-based materials and available processing technologies. From 2013 to 2014, membership of the group almost doubled to about 85.

Minister of International Trade Teresa Wat (centre), joins FII staff and representatives from Wood First partner organizations to announce $2.1 million in FII funding to advance wood use in B.C., June 2014

Wood Design Awards

2014 marked the 10th anniversary of the annual Wood Design Awards held by the Canadian Wood Council's Wood WORKS! BC program. The awards, which are now the premier showcase for wood design in British Columbia, attracted 350 designers, decision makers, municipal leaders and industry representatives. Well over 100 nominations covering a wide range of projects and examples of wood use, including projects in China delivered by B.C. architects, were received for 12 categories. Close to 100 story-boards showcased the work of the nominees.



Wood **First**

HIGHLIGHTING FIVE YEARS OF ACCOMPLISHMENTS

2009 – 2014

Wood First – Highlighting Five Years of Accomplishments

A report highlighting accomplishments in promoting increased uses of wood in design and construction of non-residential buildings in British Columbia was released by FII in May 2014. Wood First – Highlighting Five Years of Accomplishments shows how the profile of wood buildings and products in B.C., and the profile of B.C. as a world leader in wood use and innovation, have been raised to new heights during 2009 to 2014. The publication is of particular interest to engineers, architects, community leaders and developers who want to learn more about how wood is being used by the building industry in the province today. The report is available at woodfirstbc.ca.

Profiles of Projects in B.C.

Since the start of Wood First, many innovative and beautiful wood building projects have been completed across the province. Over the past year, profiles of about 40 of these projects have been completed. Each profile showcases how wood is being used in exciting and innovative ways. Collectively, the profiles highlight progress towards the development of a wood culture in B.C.

Profiles can be found at woodfirstbc.ca

Survey of International Tall Wood Buildings

FII and the Binational Softwood Lumber Council engaged the B.C. office of the international architecture firm Perkins+Will to survey key stakeholders connected with 10 tall, mass timber buildings in Europe, Australia and Canada. The survey shares experiences, lessons learned and information from these projects that would help accelerate tall wood projects in North America. The report is posted on rethinkwood.com.

Building Up with Wood

Following a comprehensive process involving extensive public and technical consultations, the B.C. Building Code was revised in 2009 to increase the maximum height for wood-frame residential construction from four- to six-storeys. B.C. was the first province in Canada to make this change.

The result has been a boom in mid-rise construction across the province. Today in B.C. there are more than 150 projects comprising 202 mid-rise buildings either completed or in various stages of development – from project planning through to design and permitting.

Following B.C.'s lead, Quebec and Ontario have made changes to allow for taller wood frame buildings. Changes are anticipated in 2015 in the next update to the National Building Code of Canada.

New Website

Cost-effectiveness, design flexibility and a commitment to more environmentally responsible buildings are generating increased demand across B.C. for information on the use of wood in building construction.

A new website featuring the latest news on building with wood in B.C. was launched by FII in 2014. wooodfirstbc.ca is now available to architects, engineers, builders, officials and consumers. The site features a colourful and inspiring website design with sections on living, designing and building with wood. Quick links throughout the website connect users to informational websites and materials, providing easy access to a range of information on B.C. wood products, building systems and wood building projects in the province, including updates on the new Wood Innovation and Design Centre in Prince George.

Market Outreach Program

Program Overview

While industry associations and companies promote the performance and benefits of their specific product lines, there is a broader need to position the B.C. forestry sector and its competitive advantages as a whole. FII's Market Outreach Program ensures that customers for B.C. forest products have access to factual, consistent and credible information about the environmental benefits of using wood products, the range of wood products and wood construction technologies available from B.C., and the facts on B.C.'s forest management practices.

As customers factor environmental practices into purchasing decisions, there is considerable value in articulating the benefits of wood as a sustainable, renewable building material, its advantages in creating a significantly smaller environmental footprint than other building materials, and the fact that wood, and pulp and paper products from B.C. are manufactured by an industry that has made impressive gains in reducing its environmental footprint.

Program Strategy

Central to the Market Outreach strategy is the promotion and differentiation of B.C. and its forest sector as a leading global supplier of products from sustainably-managed forests. This strategy takes advantage of opportunities provided by advances in wood building technologies and the desire of architects and regulators to find new and innovative ways to build more energy efficient buildings.

The long-term goal is to have wood viewed as a preferred building material, and to have B.C. recognized globally as a leader in wood innovation and sustainable forest management. This dual positioning helps strengthen awareness of B.C. forest products in major markets, supports greater market share and premium positioning, and ensures easier access to new markets.

Specifically, the Program:

- Provides information and resources (which include fact sheets, videos, case studies, etc.) regarding B.C. forest practices and products to architects, engineers, developers and builders, foreign government regulators, importers, and to a limited extent, consumers;
- Champions science-based and fact-based approaches to document B.C.'s forest practices, and the merits of wood-based construction technologies in the context of mitigating climate change and adopting green building standards;
- Collaborates with forest sector stakeholders to encourage consistent and compelling messages about product and building innovations and reducing environmental impacts; and
- Monitors and advocates codes, standards, and policies that recognize the merits of wood and B.C. forest products.

Focus in 2014/15

Activities in 2014/15 include separate programs targeted to regulators and policy makers, architects, engineers and builders, and to buyers of wood products.

Market Monitoring and Advocacy - Enabling Access for Wood & British Columbia Forest Products

FII continues to monitor domestic and international developments and work with government and industry organizations to ensure market access and acceptance as it relates to forest management, wood product and building system performance, and environmental and social responsibility policy.

On a continuing basis, FII is proactively monitoring and engaging on issues and constraints to trade in B.C. forest products in international markets to ensure market access.

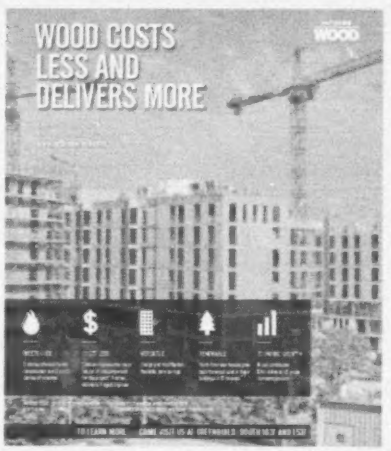
A North American strategy to ensure recognition of wood and its environmental parameters in the building sector will be pursued by promoting Life Cycle Assessment (LCA).

Marketing Communications - Growing Demand for Wood

The merits of building with wood are the basis of the North American campaign, reThink Wood, to increase demand for wood in mid-rise housing and non-residential construction sectors. FII is collaborating with others to ensure that people appreciate how:

- Wood meets code requirements in a wide range of low-rise and mid-rise building types, and can be used as a low carbon alternative to steel, masonry and concrete in many applications;
- Innovative new technologies and building systems have enabled longer wood spans, taller walls and higher buildings, and continue to expand the possibilities for wood use in construction; and
- As a building material, wood is a renewable and responsible choice.

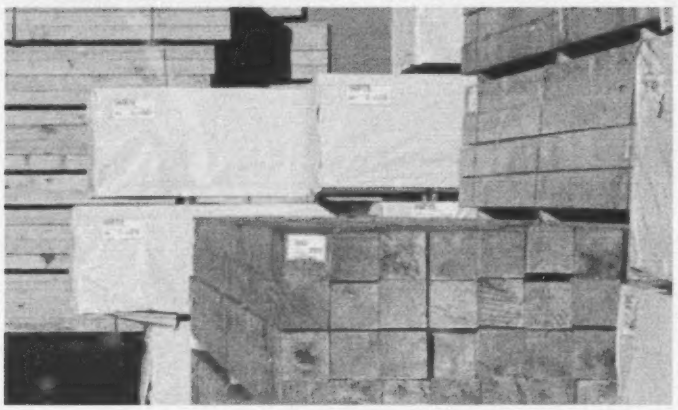
The Building Green with Wood Toolkit is being updated to address the latest changes to green building codes and rating systems, including LEED V4.

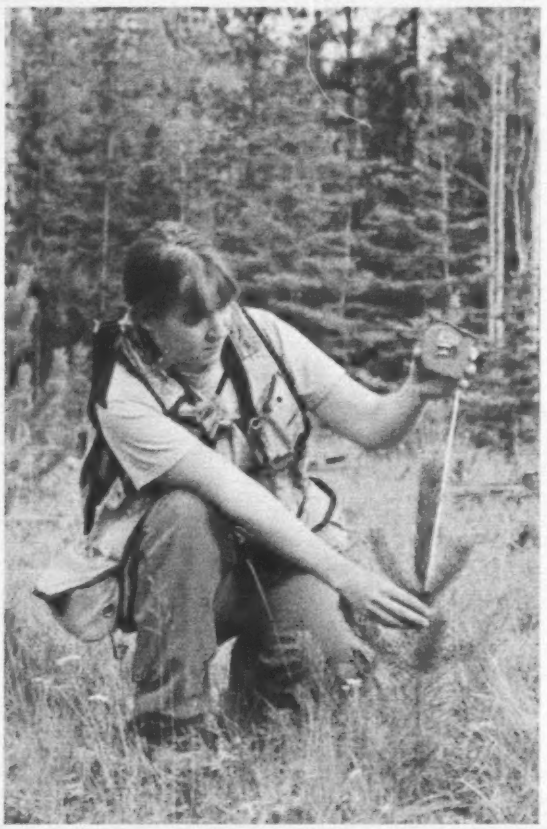


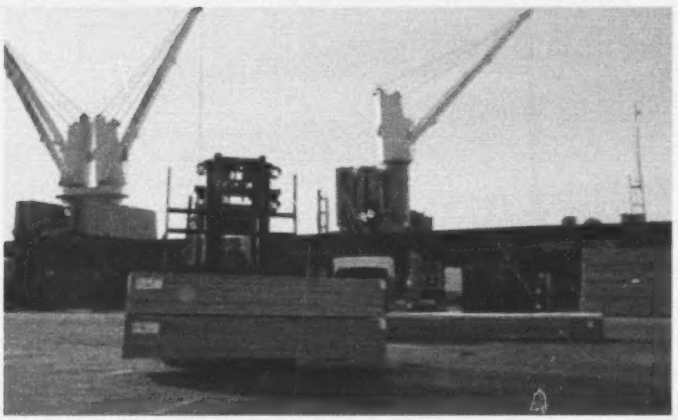
Marketing Communications - Positioning British Columbia Forests & Forest Products

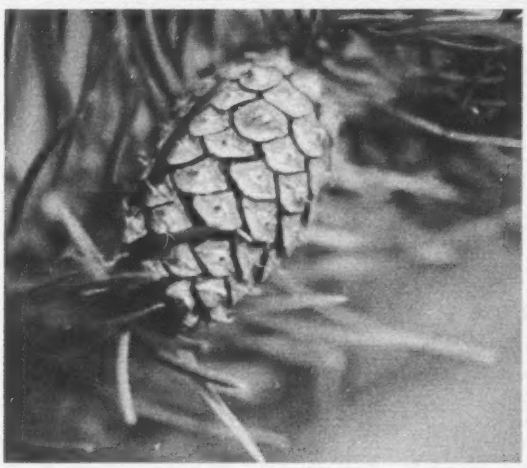
B.C. must remain proactive in articulating its world-class forest management standards. Providing independent, commercially-neutral information on the performance and environmental merits of wood maintains a base of consumer and business support that underpins product/market messaging delivered by companies and industry associations.

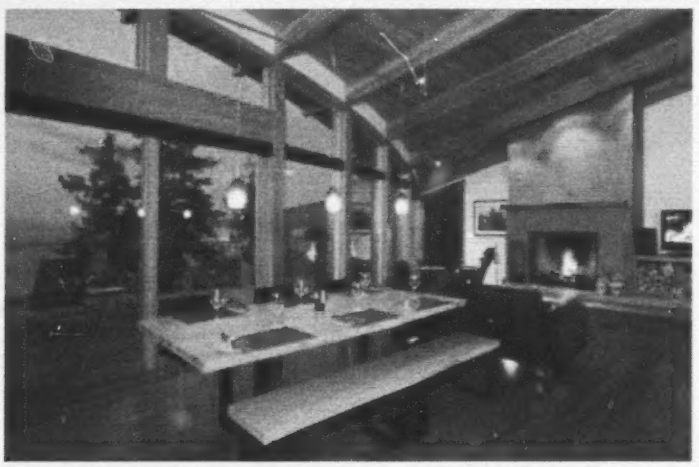
FII is continuing this approach by reinforcing B.C.'s reputation with international audiences as a reliable and preferred supplier of forest products from sustainably-managed forests. B.C.'s expertise in wood products and building systems are being promoted through tools such as case studies and videos. By hosting incoming tour groups, FII is showcasing B.C.'s experience with 6-storey, mid-rise buildings and innovative structures using the latest wood technologies and products, including the Wood Innovation and Design Centre in Prince George.











Growing Demand for Wood – reThink Wood and the North American Wood Products Industry

FII continued to cost-share the reThink Wood program with the Binational Softwood Lumber Council and the Softwood Lumber Board. reThink Wood aims to raise awareness of wood products and building systems in the design of mid-rise, multi-family and non-residential buildings with architects and engineers across North America.

In 2013, 57 wood-focused stories appeared in a range of trade and mainstream publications, including The Economist and The New York Times. reThink Wood generated more than 127.5 million online impressions and 6.3 million print impressions through its earned media stories and paid advertising.

With over 11,000 fans and followers on Facebook and Twitter, reThink Wood achieved 40 per cent share of voice for wood in online mentions, compared with 30 per cent for concrete and 30 per cent for steel[6].

Measuring the environmental footprint of wood, concrete and steel is a big factor in designing sustainable buildings.

▶ View CEU
Credits: 1.00 HSW

reTHINK WOOD

Developing and promoting wood-centric continuing education units (CEUs) for architects continues to be an important means for reThink Wood to reach and generate interest. In 2013, more than 9,324 architects took more than 15,300 tests on at least one of the 17 reThink Wood CEUs available.

Championing B.C. Forest Products and Building Systems

Visitor traffic to FII's naturallywood.com website increased by 26 per cent, leading to more than 1,400 information requests from buyers, and almost 9,000 searches for B.C. manufacturers of forest products.

Online videos available through the naturallywood.com YouTube channel continue to be popular, with views up almost 30 per cent and subscribers up 90 per cent in 2013/14.

With partners such as Canada Wood Group and a number of B.C. industry associations and companies, FII helped arrange and host 5 incoming missions in 2013/14 with over 40 participants from China, Korea, Japan and Finland. Key themes were forest management and reforestation, B.C. product innovations, and signature buildings using wood, such as in the 2010 Olympic and Paralympic Winter Games venues.

[6] Share of voice refers to the percentage of total comments attributed to a key word or phrase. In this case, the comparison is between comments about wood and architecture (40 per cent of all comments) as compared to concrete and architecture (30 per cent), or steel and architecture (30 per cent).

Salmon Arm Savings and Credit Union, Salmon Arm, B.C.

Forestry Innovation Investment

naturally:wood®

Wood First

A Forestry Innovation Investment initiative

Forestry Innovation Investment (FII) works with the forest industry and government to develop materials and tools to promote British Columbia's forest products and sustainable forest practices internationally.

The resources outlined in this document are designed for use by the British Columbia government, forestry companies and trade associations to:

- Provide facts and science on British Columbia's forest practices and products, and the environmental benefits of wood;
- Research market opportunities; and
- Support market development and communications activities.

FII has developed a range of online resources for the B.C. forest industry:

- bcfii.ca – Market research, wood export and green building guides, image and video libraries;
- naturallywood.com – Videos and case studies on leading edge non-residential and mid-rise structures using B.C. wood products, B.C. Supplier Directory, Architect's Toolkit, research and facts on B.C. forests;
- woodfirstbc.ca – Wood First project profiles featuring 30+ new wood buildings in B.C.

Wood Export Guides to China & India

With demand for B.C. wood products in China remaining strong, and demand in India rising rapidly, there is a need to provide potential exporters with guidance in these complex markets. FII has published export guides for China and India covering import regulations, trade finance and other key issues. Exporters can use these guides to help plan and manage their expansion in these markets.

Market, Technical & Environment Research

A competitive and evolving global forest sector requires that industry has access to timely market research.

Access an extensive library of research on major and emerging geographic and sector markets for B.C. forest products, including:

- Annual trend analysis with export data and market reviews;
- Current and historic market intelligence reports; and
- Product development and technical research reports on species, products and manufacturing process, as well as environmental trends.

To view all research, visit bcfii.ca/tools-resources/market-research/.

For questions and market research passwords, contact info@bcfii.ca.

Image & Video Libraries

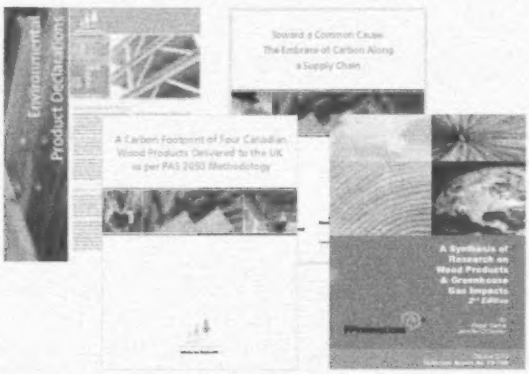
The FII Image and Video Libraries contain a wide range of digital assets. With over 3,000 images and over 30 videos, FII offers a range of visuals featuring B.C.'s forests, forestry activities, manufacturing, building, trade and innovative use of wood products.

To view and request high resolution images at no charge, suitable for print or digital needs, visit imagelibrary.bcfii.ca.

To access and view video footage, email info@bcfii.ca.

Wood & Green Building Research

The following publications have been developed to demonstrate how B.C.'s and Canada's forests and forest products can help mitigate climate change.


Environmental Product Declarations
Toward a Common Cause
The Embrace of Carbon Along a Supply Chain
A Carbon Footprint of Four Canadian Wood Products Delivered to the UK as per PAS 2050 Methodology
A Synthesis of Research on Wood Products & Greenhouse Gas Impacts
Promotion

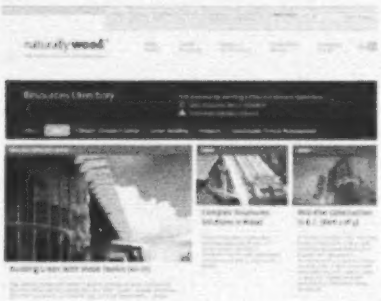
- A Synthesis of Research on Wood Products & Greenhouse Gas Impacts 2nd Edition
- Demonstrating Wood's Carbon Benefits: A Carbon Footprint of Four Canadian Wood Products Delivered to the U.K.
- Environmental Product Declarations (EPDs): Market Assessment for Canadian Wood Products
- Toward a Common Cause: The Embrace of Carbon Along a Supply Chain

Visit bcfii.ca to explore these tools and resources

Promoting British Columbia Wood Products

A product of FII, naturallywood.com is a comprehensive information resource that brings together the latest, most reliable data about wood performance, green building and life cycle assessment, as well as British Columbia's wide variety of forest products, manufacturers, sustainable forest practices, certification of forests, wood products and more.

The website also includes direct links to trade associations, a Supplier and Certified Product Directory, the Architect's Toolkit, and the Building Green with Wood Toolkit.



Case Studies & Profiles

These publications highlight buildings in B.C. and around the world that utilize B.C. wood products:

Case Studies

- Centre for Interactive Research on Sustainability (CIRS)
- Mid-Rise Wood-Frame Construction in B.C.
- UBC Buildings: Life Cycle Assessment
- Vancouver Convention Centre
- West Vancouver Aquatic Centre
- Whistler Public Library
- Wood in Healthcare
- Wood in Higher Education
- Wood in Transportation

Profiles

Wood First project profiles feature 30+ new wood buildings in B.C.

Factsheets & Publications

- Diverse and Innovative Wood Products
- Mountain Pine Beetle
- Responsible Paper Production
- Wood Use in the 2010 Olympic and Paralympic Venue

Building Green with Wood Toolkit & Manufacturer Product Factsheets

Factsheets and Presentations on how wood products can achieve credits under the most commonly used green building rating systems (LEED, Green Globes, BuiltGreen for Multi-Storeys & Residential Towers).

To request the InDesign version of the Manufacturer Product Factsheet template, contact info@bcfii.ca

Supplier & Certified Product Directory

The directory lists over 600 companies manufacturing and/or selling B.C. forest products and includes species and certification/chain of custody information.

To view the directory, visit:
naturallywood.com/supplierdirectory

Contact info@bcfii.ca to be added to the directory, or to supply updates to any current listing.

YouTube Videos

naturally:wood has developed an extensive YouTube channel with over 30 videos featuring leading-edge non-residential and mid-rise structures using B.C. wood products.

- Complex Structures: Solutions in Wood
- Introduction to the Wood Innovation and Design Centre (WIDC)
- Mid-Rise Construction
- Wood in Airports
- Wood in Design
- Wood in Education
- Wood and Human Health
- Wood in Transportation

All footage is available for B.C. industry use. For a list of available footage, or to arrange a time to view clips at FII's office, contact info@bcfii.ca.

Visit naturallywood.com to explore these tools and resources

Sustainable Forest Management

Customers often ask "How can I be sure that if I purchase your product, it is coming from a responsible source?". naturally:wood has a suite of publications available for industry use that provide factual and up-to-date information on B.C.'s forest management practices.

Factsheets

- British Columbia: Legal Source of Quality Forest Products
- British Columbia's Boreal Region
- British Columbia's Forest Diversity
- British Columbia's North and Central Coast Regions
- B.C. Parks and Protected Areas
- British Columbia's Sustainable Forest Management Practices
- British Columbia's Woodland Caribou
- Involving British Columbians

Forest Regulation & Certification

For questions regarding third-party forest certification programs and forest management standards in B.C., the following resources are available:

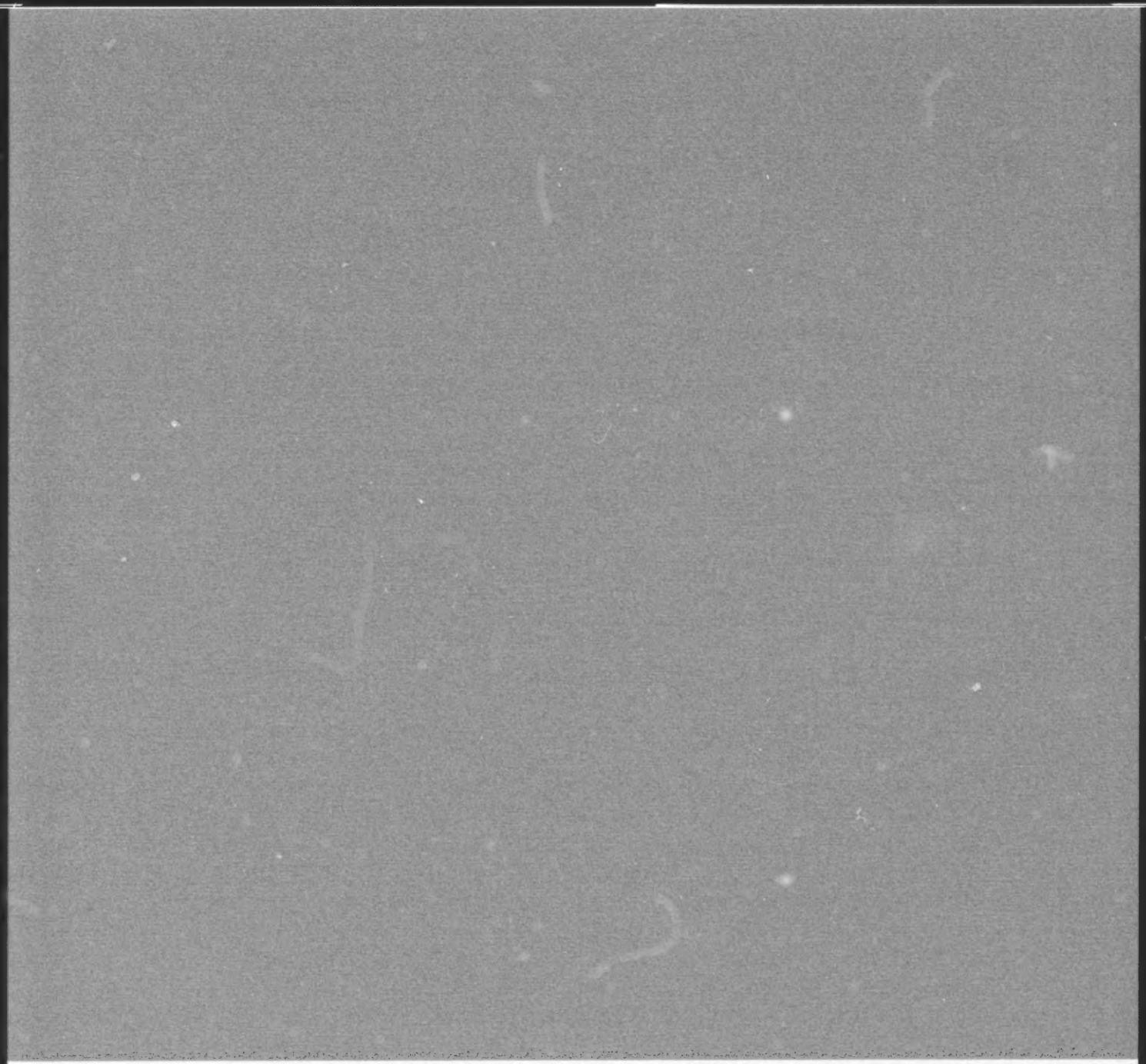
Factsheets

- Third-Party Forest Certification in British Columbia
- A Guide to Chain of Custody

Research

- Comparing B.C. With the World (2004)
- Comparison of Selected Forest Certification Standards Around the World

Visit naturallywood.com to explore these tools and resources



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Forestry Innovation Investment

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